

COURT FILE NUMBER

Clerk's Stamp

COURT COURT OF QUEEN'S BENCH OF ALBERTA

JUDICIAL CENTRE CALGARY

APPLICANT ARNAKI LTD.

RESPONDENTS SOLVAQUA INC. and CORESOURCE SOLUTIONS LLC

DOCUMENT **AFFIDAVIT**

ADDRESS FOR SERVICE AND CONTACT INFORMATION OF PARTY FILING THIS DOCUMENT
Chitiz Pathak LLP
77 King Street West, Suite 700
TD North Tower, P.O. Box 118
Toronto, Ontario M5K 1G8
Telephone 416-368-6200
Facsimile 416-368-0300
Email: ebirnboim@cpllp.com / mcrampton@cpllp.com

Attention: Elliot Birnboim / Michael Crampton

AFFIDAVIT OF: ARIEL S. BELILO

SWORN ON: August 15, 2022

I, **ARIEL S. BELILO**, of City of Gibraltar, in the territory of Gibraltar, AFFIRM THAT:

1. I am a director of the Applicant, Arnaki Ltd. ("**Arnaki**"), and as such I have personal knowledge of the matters hereinafter deposed to except where stated to be based upon information and belief, and where so stated I do verily believe the same to be true.
2. I am authorized by Arnaki to swear this affidavit on its behalf.

Background

3. Arnaki is a corporation incorporated pursuant to the laws of the British Virgin Islands with offices in Road Town, Tortola, British Virgin Islands. Arnaki's parent, Murchinson Ltd., is an investment firm headquartered in Toronto, Ontario, and has been overseeing recovery of loans made by Arnaki to the Respondent, Solvaqua Inc. ("**Solvaqua**").
4. Solvaqua, is a corporation incorporated pursuant to the laws of the Province of Alberta with a registered office in Calgary, Alberta. Attached hereto and marked as **Exhibit "A"** is a copy of the corporate registry search for Solvaqua.
5. Coresource Solutions LLC ("**LLC**") is a limited liability company formed under the laws of the State of Texas in the United States of America with its head office in Denver, Colorado. Coresource Solutions (Canada) Inc. (together with LLC, the "**Guarantors**") is a corporation incorporated pursuant to the laws of the Province of Alberta with its registered office in Calgary, Alberta.
6. Solvaqua is in the business of providing proprietary wastewater management solutions based on nanopolymerization technology that allows isolated areas to reuse water, thereby decreasing

freshwater usage. Based out of Calgary, Alberta, Solvaqua's business plan intended to implement the technology in foreign jurisdictions pursuant to three "Project Charters" with two United States-based companies: VivaVentures Inc., and the Clear Capital Group of Companies.

Loans to Solvaqua

7. Arnaki and Solvaqua entered into a series of loan agreements pursuant to which Arnaki advanced funds to Solvaqua:
 - (a) Under a Loan Agreement dated August 31, 2020, Arnaki loaned Solvaqua a principal amount of two million United States dollars (USD\$2,000,000) (the "**First Tranche**") to be repaid on the maturity date of April 1, 2021. A copy of the Loan Agreement for the First Tranche is attached hereto and marked as **Exhibit "B"**.
 - (b) Under a Loan Agreement dated January 4, 2021, Arnaki loaned Solvaqua a principal amount of two million United States dollars (USD\$2,000,000) (the "**Second Tranche**") to be repaid on the maturity date of September 1, 2021. A copy of the Loan Agreement for the Second Tranche is attached hereto and marked as **Exhibit "C"**.
 - (c) Under a Loan Agreement dated February 1, 2021, Arnaki loaned Solvaqua a principal amount of two million United States dollars (USD\$2,000,000) (the "**Third Tranche**", and together with the First Tranche and the Second Tranche, the "**Loans**") to be repaid on the maturity date of September 1, 2021. A copy of the Loan Agreement for the Third Tranche is attached hereto and marked as **Exhibit "D"**.
8. The funds advanced pursuant to the Loans were each tied to contracts for overseas sale of Solvaqua's water management systems. Solvaqua's contracts with their overseas buyers were insured by Export Development Canada ("**EDC**").
9. The funds advanced pursuant the Loans were also guaranteed by the Guarantors, both of whom are companies related to the CEO of Solvaqua at the time of Loans, Chris Tesarski ("**Tesarski**"). Arnaki does not seek relief against the Guarantors in this proceeding. Notwithstanding the lack of relief sought, the Guarantors have been placed on notice of this Application. Copies of the Guarantee agreements given by the Guarantors to Arnaki for the Loans are attached hereto as **Exhibit "E"**, **Exhibit "F"**, **Exhibit "G"**, **Exhibit "H"**, **Exhibit "I"** and **Exhibit "J"**.

Security Granted to Arnaki

10. As security for the Loans, Solvaqua granted Arnaki security over all of Solvaqua's present and future undertakings, assets and property (the "**Collateral**"), pursuant to the following (collectively, the "**GSAs**"):
 - (a) General Security Agreement dated August 31, 2020 attached hereto as **Exhibit "K"**.
 - (b) General Security Agreement dated January 4, 2021 attached hereto as **Exhibit "L"**.
 - (c) General Security Agreement dated February 1, 2021 attached hereto as **Exhibit "M"**.
11. Arnaki's security interest under the above GSAs was perfected through the filing of the security agreement registered in the Alberta Personal Property Registry as registration number 20091025542. Attached hereto as **Exhibit "N"** is a copy of the Alberta Personal Property Registry search for Solvaqua dated July 27, 2022.
12. Section 6.8 of the GSAs specifically allows for the appointment of a receiver or receiver-manager of the Collateral any time after the security interests granted to Arnaki over the Collateral become enforceable.

Default, Extension and Partial Recovery from EDC

13. Solvaqua failed to repay Arnaki the principal amount owing under Loan Agreement for the First Tranche on the maturity date of April 1, 2021. Pursuant to an Extension Agreement dated April 1, 2021, Arnaki and Solvaqua agreed to extend the maturity date for the First Tranche to May 1, 2021 in consideration for Solvaqua promising to pay Arnaki an extension fee of USD\$200,000 on May 1, 2021. Attached hereto and marked as **Exhibit "O"** is a copy of the April 1, 2021 Extension Agreement.
14. Following Solvaqua's failure to repay Arnaki the principal amount owing under the Loan Agreements for the Second Tranche and Third Tranche by their September 1, 2021 maturity dates, Solvaqua requested extensions of the maturity date. Arnaki charged Solvaqua an extension fee of USD\$225,000 for the Second Tranche and an extension fee of USD\$225,000 for the Third Tranche.
15. An insurance claim was made under the insurance provided by EDC on Solvaqua's contract with its buyer connected with the First Tranche after the buyer failed to complete the purchase of equipment from Solvaqua. EDC agreed to pay USD\$1,386,000 on the claim. The \$1,386,000 was repaid to Arnaki pursuant to an assignment of the insurance proceeds given by Solvaqua, and applied as against the First Tranche
16. No amounts have been repaid to Arnaki by Solvaqua in satisfaction of the Second Tranche and the Third Tranche. Each of the First Tranche, Second Tranche and Third Tranche are now due and payable, as the applicable maturity date for each of those tranches has now passed.
17. As of July 25, 2022, the outstanding amounts owing to Arnaki from Solvaqua under the Loan Agreements for the First Tranche, Second Tranche, Third Tranche and their related extensions, including interest to July 25, 2022 but exclusive of legal fees and other costs and expenses and interest continuing to accrue, total to **USD\$6,052,288.63** (the "**Indebtedness**").
18. Pursuant to the terms of the Loan Agreements, Solvaqua committed an Event of Default by failing to pay Arnaki the amounts that became due upon the extended maturity dates. Additionally, the failure of Solvaqua's overseas customers to complete the purchase of Solvaqua's equipment pursuant to their contracts with Solvaqua constitute a material adverse change, as determined by Solvaqua, and are further Events of Default.

Demand and Service Issues

19. On July 27, 2022, Arnaki's lawyers Chitiz Pathak LLP sent:
 - (a) the demand letter to Solvaqua attached hereto as **Exhibit "P"**; and,
 - (b) the notice of intention to enforce security under the *Bankruptcy and Insolvency Act* (the "**BIA**") attached hereto as **Exhibit "Q"**.
20. On July 28, 2022, a courier attempted to deliver Chitiz Pathak LLP's package to Suite 1050, 444-5th Avenue SW, Calgary, Alberta, the address for notice on Solvaqua prescribed by the First Tranche and Second Tranche GSAs. The agent for the courier reported to Chitiz Pathak LLP as follows:

*From: Steve Krause <steve@hemingwaydelivers.com>
 Sent: July 29, 2022 8:25 AM
 To: Maritza Navarro <mnavarro@cpllp.com>
 Subject: Delivery to Solvaqua Inc (WAYBILL 710787)*

*[External Sender]
 Hi Maritza, as requested here is a synopsis for this delivery to Solvaqua Inc.*

We contracted out this delivery to a 3rd party agent.

It was sent to the address you provided :

*1ST ATTEMPT
444 5th Avenue SW, Ste 1050
Calgary, AB
T2T 2T8*

*Our agent attempted this delivery at 8:33am on July 28, 2022.
They said this company no longer exists at this address.*

21. A second attempt was made at the 340 Midpark Way SE, St 300, Calgary, Alberta address indicated on Solvaqua's website and the Third Tranche GSA. The courier reported to Chitiz Pathak LLP as follows:

*From: Steve Krause <steve@hemingwaydelivers.com>
Sent: August 3, 2022 8:18 AM
To: Maritza Navarro <mnavarro@cpllp.com>
Subject: RE: Delivery to Solvaqua Inc (WAYBILL 710787)*

*[External Sender]
Good morning Maritza.*

Our broker in Calgary reattempted this delivery to the address you provided on Tuesday August 2, 2022.

*340 Midpark Way SE, Ste 300
Calgary, AB
T2X 1P1*

Our broker indicates they have moved from this address.

22. On Solvaqua's corporate profile, the offices of DLA Piper LLP are listed as Solvaqua's registered office and Mr. Dana Schindelka is listed as Solvaqua's primary agent for service. Chitiz Pathak LLP emailed a copy of the demand letter and notice of intention to enforce security to Mr. Schindelka on August 3, 2022. A copy of Mr. Schindelka's email reply of August 3, 2022, confirming that DLA Piper LLP no longer acts as agent for Solvaqua is attached hereto as **Exhibit "R"**.
23. To ensure that Solvaqua was aware of Arnaki's intention to enforce its security, on August 3, 2022, I emailed a copy of the demand letter and notice of intention to enforce security to Don McLeod, the managing consultant I had been communicating with on behalf of Solvaqua. Mr. McLeod stepped in for Solvaqua following the medically required leave of absence of Solvaqua's CEO, Tesarski. A copy of Mr. McLeod's August 4, 2022 email confirming of receipt of the notice and providing advice that he would be ending his relationship with Solvaqua that week is attached hereto as **Exhibit "S"**.
24. On August 4, 2022, Chitiz Pathak LLP's courier advised that Chitiz Pathak LLP's physical package had been delivered to the offices of DLA Piper LLP:

*From: info@hemingwaydelivers.com <info@hemingwaydelivers.com>
Sent: August 4, 2022 10:50 AM
To: Maritza Navarro <mnavarro@chitizpathak.com>
Subject: Proof of Delivery W/B Number : 710787*

[External Sender]

Proof of Delivery

Waybill Number: 710787

Reference: 005267

*Delivered To: Solvaqua Inc
444 5th Avenue SW
Calgary, AB
T2T 2T8*

Delivery Date: August 4, 2022

Delivery Time: 8:26am

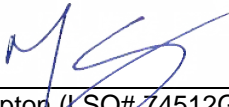
Received By: Fillipe (Redirected to DLA Piper at 250 - 2 ST SW, STE 1000, Calgary, AB)

- 25. Dated from Chitiz Pathak LLP's attempt to deliver the notice of intention to enforce security at the offices of Solvaqua listed in the First Tranche and Second Tranche GSAs, the 10-day period referenced in subsection 244(2) of the *BIA* has since expired. Dated from acknowledgement of receipt of the notice of intention to enforce security by email by Mr. McLeod on behalf of Solvaqua, the 10-day period referred to in the *BIA* expired on August 14, 2022.
- 26. With Mr. McLeod's departure and Teraski's continued absence, I believe there is little to no management oversight at Solvaqua and am concerned about Solvaqua's ability to recover any of its remaining assets that could be used to satisfy the claims of Arnaki and other creditors.

Appointment of Receiver

- 27. As of the date of this Affidavit Solvaqua has failed to comply with the demand letter and the full amount of the Indebtedness remains due, owing and payable to Arnaki.
- 28. Given the failure of Solvaqua to repay the Indebtedness and the lack of a viable refinancing plan and business plan being put forward, notwithstanding that Solvaqua has been provided with several months to do so, I believe it is just and convenient to appoint a receiver over the assets, undertakings and properties of Solvaqua to protect the assets underlying the Security as well as to protect the interests of other creditors.
- 29. MNP Ltd. ("**MNP**") has consented to act as receiver and manager of the assets, undertakings and properties of Solvaqua should a receiver be appointed.
- 30. I swear this affidavit in support of an Order appointing MNP as the court appointed receiver and manager of the assets, undertakings and properties of Solvaqua and for no improper purpose.

AFFIRMED by Ariel S. Belilo of the City of Gibraltar, in)
 the territory of Gibraltar, before me at the City of)
 Burlington, in the Province of Ontario, on August 15,)
 2022 in accordance with O. Reg. 431/20,)
 Administering Oath or Declaration Remotely)




 Michael Crampton (LSO# 74512G)
 Commissioner for Oaths/Notary Public in and for
 Ontario



 ARIEL S. BELILO

This is Exhibit "A" referred to in the
Affidavit of Ariel S. Belilo affirmed before
me, this 15th day of August, 2022

A handwritten signature in blue ink, appearing to read 'MS', is written over a horizontal line.

A Commissioner for taking Affidavits, etc.

Michael Crampton, LSO #74512G

Government Corporation/Non-Profit Search of Alberta ■ Corporate Registration System

Date of Search: 2022/08/03
 Time of Search: 09:41 AM
 Service Request Number: 38054256
 Customer Reference Number: 04060197-EDD3_5_2526256

Corporate Access Number: 2022005504
Business Number: 756587507
Legal Entity Name: SOLVAQUA INC.

Legal Entity Status: Active
Alberta Corporation Type: Named Alberta Corporation
Registration Date: 2019/06/19 YYYY/MM/DD
Date of Last Status Change: 2021/11/17 YYYY/MM/DD

Registered Office:

Street: 1000-250 2 ST SW
City: CALGARY
Province: ALBERTA
Postal Code: T2P0C1

Records Address:

Street: 1000-250 2 ST SW
City: CALGARY
Province: ALBERTA
Postal Code: T2P0C1

Email Address: CORPORATE.CALGARY@DLAPIPER.COM

Primary Agent for Service:

Last Name	First Name	Middle Name	Firm Name	Street	City	Province	Postal Code	Email
SCHINDELKA	DANA		DLA PIPER (CANADA) LLP	1000- 250 2 ST SW	CALGARY	ALBERTA	T2P0C1	CORPORATE.CALGARY@DLAPIPER.COM

Directors:

Last Name: TESARSKI
First Name: CHRIS
Street/Box Number: #1800, 444 - 5TH AVENUE SW
City: CALGARY
Province: ALBERTA
Postal Code: T2P2T8

Voting Shareholders:

Last Name: TESARSKI

First Name: CHRIS
Street: 1800, 444 5 AVENUE SW
City: CALGARY
Province: ALBERTA
Postal Code: T2P2T8
Percent Of Voting Shares: 100

Details From Current Articles:

The information in this legal entity table supersedes equivalent electronic attachments

Share Structure: SEE THE ATTACHED SCHEDULE OF SHARE CAPITAL.
Share Transfers Restrictions: SEE THE ATTACHED SCHEDULE OF SHARE TRANSFER RESTRICTIONS.
Min Number Of Directors: 1
Max Number Of Directors: 10
Business Restricted To: NONE.
Business Restricted From: NONE.
Other Provisions: SEE THE ATTACHED SCHEDULE OF OTHER RULES OR PROVISIONS.

Other Information:

Last Annual Return Filed:

File Year	Date Filed (YYYY/MM/DD)
2021	2021/11/17

Outstanding Returns:

Annual returns are outstanding for the 2022 file year(s).

Filing History:

List Date (YYYY/MM/DD)	Type of Filing
2019/06/19	Incorporate Alberta Corporation
2019/11/27	Change Director / Shareholder
2021/08/02	Status Changed to Start for Failure to File Annual Returns
2021/11/17	Enter Annual Returns for Alberta and Extra-Provincial Corp.
2021/11/17	Change Address
2021/11/17	Change Agent for Service
2022/01/07	Update Business Number Legal Entity

Attachments:

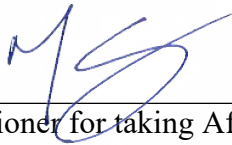
Attachment Type	Microfilm Bar Code	Date Recorded (YYYY/MM/DD)
Share Structure	ELECTRONIC	2019/06/19
Restrictions on Share Transfers	ELECTRONIC	2019/06/19
Other Rules or Provisions	ELECTRONIC	2019/06/19

The Registrar of Corporations certifies that, as of the date of this search, the above information is an accurate reproduction of data

contained in the official public records of Corporate Registry.



This is Exhibit "B" referred to in the
Affidavit of Ariel S. Belilo affirmed before
me, this 15th day of August, 2022

A handwritten signature in blue ink, appearing to read 'MS', is written over a horizontal line.

A Commissioner for taking Affidavits, etc.

Michael Crampton, LSO #74512G

LOAN AGREEMENT

by and between

ARNAKI LTD. as Lender

and

SOLVAQUA INC.

as Borrower

Dated: AUGUST 31, 2020

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LOAN AGREEMENT

This Loan Agreement dated as of August 31, 2020 is entered into among **ARNAKI LTD.** (the "**Lender**") and **SOLVAQUA INC.**, a corporation organized under the laws of the Province of Alberta (the "**Borrower**") and the other Loan Parties identified on the signature pages hereof.

WHEREAS the Borrower wishes to borrow funds from the Lender to use as set forth herein and the Lender is willing to grant the Loan to the Borrower on the terms and conditions set out in this Agreement;

NOW, THEREFORE, in consideration of the mutual conditions and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1 - DEFINITIONS

1.1 Definitions

For purposes of this Agreement, the capitalized terms not otherwise defined in this Agreement shall have the respective meanings given to them below:

- (a) "**Accounts**" shall mean all present and future rights of a Loan Party to payment for goods sold or leased or for services rendered, and whether or not earned by performance;
- (b) "**Affiliate**" means, with respect to a specified Person, another Person that directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with the Person specified;
- (c) "**Agreed Currency**" shall have the meaning ascribed thereto in Section 11.6;
- (d) "**Applicable Law**" means (a) any domestic or foreign statute, law, treaty, code, ordinance, rule, regulation, restriction or by-law (zoning or otherwise); (b) any judgement, order, writ, injunction, decision, ruling, decree or award; (c) any regulatory policy, practice, guideline or directive; or (d) any franchise, licence, qualification, authorization, consent, exemption, waiver, right, permit or other approval of any Governmental Authority, binding on or affecting the Person referred to in the context in which the term is used or binding on or affecting the property of such Person; in each case to the extent having the force of law;
- (e) "**Arm's-Length**" shall have the meaning given to that term in the *Income Tax Act* (Canada) as at the date of this Agreement;
- (f) "**ASPE**" means Canadian accounting standards for private enterprises as provided from time to time by the Canadian Institute of Chartered Accountants and applied on a consistent basis;
- (g) "**Assignment and Assumption**" means an assignment and assumption entered into by the Lender and an assignee, in substantially the form of Exhibit B or any other form approved by the Lender;
- (h) "**BIA**" shall mean the *Bankruptcy and Insolvency Act* (Canada), as amended, supplemented, restated and superseded, in whole or in part, from time to time;
- (i) "**Business**" means the business currently carried on by the Borrower and the other Loan Parties, being the treatment of wastewater through the use of proprietary technology;
- (j) "**Business Day**" shall mean a day (other than a Saturday, Sunday or statutory holiday in the Province of Alberta) on which the Lender is open for business in the normal course;
- (k) "**Capital Expenditures**" shall mean, for any fiscal period, any amounts accruing or paid in respect of any purchase or other acquisition for value of capital assets, and for greater certainty, excludes the value of any trade-in exchanged on such purchase and acquisition and amounts expended in respect of (i) the normal repair and maintenance of capital assets in the ordinary course of business, (ii) repair or replacement of capital assets the payment for which is funded by insurance proceeds, (iii) any business acquisition or (iv) capital lease payments;
- (l) "**CCAA**" shall mean the *Companies' Creditors Arrangement Act* (Canada), as amended, supplemented, restated and superseded, in whole or part, from time to time;

- (m) "**CCAA Plan**" shall have the meaning ascribed thereto in Section 7.16;
- (n) "**Change of Control**" means if any person, excluding existing holders of such Equity Interests, acquires, directly or indirectly, alone or in concert with other persons within the meaning of the *Securities Act* (Alberta), over a period of time or at any one time, Equity Interests of a person aggregating in excess of 50% of all of the issued and outstanding Voting Equity Interests; provided that the Borrower shall cause any new shareholder of each Loan Party to provide to the Lender, upon request by the Lender, a pledge of all of such shareholder's shares in the capital of such Loan Party promptly upon becoming a shareholder;
- (o) "**Closing Date**" means the date on which the proceeds of the Loan are advanced to the Borrower by the Lender;
- (p) "**Collateral**" shall mean, collectively, Collateral as such term is defined in the General Security Agreements and all Real Property charged by the Security Interests granted in favour of the Lender from time to time;
- (q) "**Compound Annual Return**" means a compounded annual rate of return of seven (7%) percent on the Outstanding Principal Obligations, assuming the Outstanding Principal Obligations are fully drawn as of the Closing Date, notwithstanding the actual dates on which such advances are made;
- (r) "**Default**" means any event or condition that constitutes an Event of Default or that would constitute an Event of Default except for satisfaction of any condition subsequent required to make the event or condition an Event of Default, including giving of any notice, passage of time, or both;
- (s) "**EDC**" means Export Development Canada;
- (t) "**Environmental Laws**" shall mean with respect to any Person all Applicable Law relating to health, safety, hazardous, dangerous or toxic substances, waste or material, pollution and environmental matters, as now or at any time hereafter in effect, applicable to such Person and/or its business and facilities (whether or not owned by it), including laws relating to emissions, discharges, releases or threatened releases of pollutants, contamination, chemicals, or hazardous, toxic or dangerous substances, materials or wastes into the environment (including, without limitation, ambient air, surface water, ground water, land surface or subsurface strata) or otherwise relating to the generation, manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, chemicals, or hazardous, toxic or dangerous substances, materials or wastes;
- (u) "**Equity Interests**" means (a) in respect of a corporation, shares in its capital stock (including common and preferred shares), (b) in respect of a general partnership or a limited partnership, any partnership interest therein and any interest in the income or capital of or distributions from such partnership, whether any such interest is denominated in units or not; (c) in respect of a trust, any beneficial interest therein or in the assets or income thereof, whether denominated in units or not; and (d) in respect of any other Person, any similar or corresponding interest in its capital, assets or equity; and includes any right, warrant, option or other security conferring a right to acquire any of the foregoing;
- (v) "**Event of Default**" shall mean the occurrence or existence of any event or condition described in Section 8.1 hereof;
- (w) "**Excluded Taxes**" means, with respect to the Lender or any other recipient of any payment to be made by or on account of any obligation of a Loan Party hereunder, (a) taxes imposed on or measured by its capital, net income, and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the laws of which such recipient is organized or in which its principal office is located or, in the case of the Lender, in which its' lending office is located; and (b) any profit taxes or any similar tax imposed by any jurisdiction in which the Lender is located;

- (x) "**Fair Market Value**" means the fair market value of the Borrower (or the Person in question) as determined pursuant to a valuation report by an independent chartered business valuator mutually agreeable to the Lender and the Borrower;
- (y) "**General Security Agreements**" shall mean the general security agreements and hypothecs (if applicable) given by the Loan Parties, as applicable, in favour of the Lender in respect of the Obligations;
- (z) "**Governmental Authority**" means the Government of Canada or any other nation, or any political subdivision thereof, whether provincial, state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government;
- (aa) "**Guarantor**" shall mean any guarantor, endorser, acceptor, surety or other Person liable on or with respect to the Obligations, and including any successors or assigns thereof;
- (bb) "**Hazardous Materials**" shall mean any hazardous, toxic or dangerous substances, materials and wastes, including, without limitation, hydrocarbons (including naturally occurring or man-made petroleum and hydrocarbons), flammable explosives, asbestos, urea formaldehyde insulation, radioactive materials, biological substances, polychlorinated biphenyls, pesticides, herbicides and any other kind and/or type of pollutants or contaminants (including, without limitation, materials which include hazardous constituents), sewage, sludge, industrial slag, solvents and/or any other similar substances, materials, or wastes and including any other substances, materials or wastes that are or become regulated under any Environmental Law (including, without limitation any that are or become classified as hazardous or toxic under any Environmental Law);
- (cc) "**Indemnified Liabilities**" shall have the meaning ascribed thereto in Section 9.2(a) and 9.2(b);
- (dd) "**Indemnified Parties**" shall have the meaning ascribed thereto in Section 9.2(a);
- (ee) "**Indemnified Taxes**" means Taxes other than Excluded Taxes;
- (ff) "**Intellectual Property**" shall mean all issued patents and patent applications, industrial design registrations, trade-marks, registrations and applications therefor, trade-names and styles, logos, copyright registrations and applications therefor which are owned by or licensed to a Loan Party and used in or necessary to the operation of its Business;
- (gg) "**Interest Payment Date**" shall have the meaning subscribed thereto in Section 2.3(b)(i);
- (hh) "**Interest Rate**" means a rate of 7.0 % per annum;
- (ii) "**Inventory**" means inventory of each Loan Party as defined under the PPSA;
- (jj) "**Knowledge of the Borrower**" with respect to any fact or matter referred to herein means that at least Chris Tesarski has, or at any time had knowledge or should reasonably have had knowledge, of that fact or other matter, and such individual will be deemed to have conducted a reasonably comprehensive review of the applicable Loan Party's books, records and information in respect of that fact;
- (kk) "**License**" means any license, permit, authorization, approval or other evidence of authority issued or granted to, conferred upon, or otherwise created for, a Loan Party by any Governmental Authority relating to its Business or required by the Loan Parties to carry on the Business;
- (ll) "**Loan**" shall mean the term loan in an aggregate principal amount of two million United States dollars (USD\$2,000,000), to be extended by the Lender to the Borrower pursuant to the terms of this Agreement;
- (mm) "**Loan Documents**" shall mean, collectively, this Agreement, the Security, and all notes, assignments, guarantees, mortgages and other agreements, documents and instruments now or at any time hereafter executed and/or delivered by any Loan Party in connection with this Agreement or the Security, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced;

- (nn) "**Loan Parties**" means the Borrower, each Guarantor and any other Person which is a party to a Loan Agreement (other than the Lender) and "**Loan Party**" shall mean any one of them as the context may require. For greater certainty, any Subsidiary or future Subsidiary of the Borrower shall be required to be a Loan Party, unless otherwise consented to by the Lender in writing;
- (oo) "**Material Adverse Change**" means any event, development or circumstance that has had or could in the opinion of the Lender reasonably be expected to have a Material Adverse Effect;
- (pp) "**Material Adverse Effect**" means (a) a material negative effect on the business, assets, liabilities, affairs, operations, prospects, operations or condition, financial or otherwise, of the Loan Parties, or (b) any effect on the validity or enforceability of any of the Loan Documents, the priority of the Security Interests created thereby or the rights and remedies of the Lender thereunder or (c) any material negative effect on any Material Contract, or (d) any negative effect on the amount which the Lender would be likely to receive (after giving effect to delays in payment and costs of enforcement) upon the liquidation of the Collateral;
- (qq) "**Material Contracts**" means all contracts and agreements, written or unwritten, which are material to the Loan Parties or to the operation of the Business of the Loan Parties, all of which are listed in Exhibit E hereto, true and complete copies of which have been provided to the Lender;
- (rr) "**Maturity Date**" shall mean April 1, 2021;
- (ss) "**Notice of Termination**" shall have the meaning ascribed thereto in Section 8.2(b);
- (tt) "**Obligations**" shall mean the Loan and all other obligations, liabilities and indebtedness of every kind, nature and description owing by any Loan Party to the Lender or its Affiliates, including principal, interest, charges, fees, costs and expenses, however evidenced, whether as principal, surety, endorser, guarantor or otherwise, arising under this Agreement or the other Loan Documents, whether now existing or hereafter arising, whether arising before, during or after the initial or any renewal term of this Agreement or after the commencement of any proceeding with respect to any Loan Party under the BIA, the CCAA, or any similar statute in any jurisdiction (including the payment of interest and other amounts which would accrue and become due but for the commencement of such proceeding, whether or not such amounts are allowed or allowable in whole or in part in such proceeding), whether direct or indirect, absolute or contingent, joint or several, due or not due, primary or secondary, liquidated or unliquidated, secured or unsecured, and however acquired by the Lender or its Affiliates;
- (uu) "**Other Currency**" shall have the meaning ascribed thereto in Section 11.6;
- (vv) "**Other Taxes**" means all present or future documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or under any other Loan Agreement or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Agreement, other than Excluded Taxes;
- (ww) "**Outstanding Principal Obligations**" means, at any time, the aggregate Loan amount pursuant to paragraph 2.1 below, plus all capitalized interest or overdue interest, less any and all payments of principal made in reduction of such amount;
- (xx) "**Pension Plans**" shall mean all benefit plans providing pensions, superannuation benefits or retirement savings, including pension plans, top up pensions or supplemental pensions, "registered retirement savings plans" (as defined in the *Income Tax Act* (Canada)), "registered pension plans" (as defined in the *Income Tax Act* (Canada)) and "retirement compensation arrangements" (as defined in the *Income Tax Act* (Canada)) which a Loan Party sponsors or administers or into which a Loan Party makes contributions;
- (yy) "**Permitted Debt**" means (a) the Obligations; (b) trade obligations, Taxes, governmental duties and charges and normal accruals in the ordinary course of business not past due, or with respect to which a Loan Party is contesting the amount or validity thereof by appropriate proceedings diligently pursued and available to such Loan Party, and with respect to which adequate reserves (to the extent required in accordance with ASPE) have been set aside on its books; (d) purchase money indebtedness (including capital leases) to the extent not incurred or secured by Security

Interests (including capital leases) in violation of any other provision of the Loan Documents, or if such purchase money indebtedness (including capital leases) is secured, such indebtedness does not exceed in aggregate \$100,000 Cdn;

(zz) **"Permitted Disposition"** means:

- (i) sales or dispositions of Inventory in the ordinary course of business;
- (ii) a sale or disposition in the ordinary course of business and in accordance with sound industry practice of property that is obsolete, no longer used or useful for its intended purpose or is being replaced in the ordinary course of business;
- (iii) disposals of assets between Loan Parties;
- (iv) disposals of defaulted Accounts in order to realize on them in a commercially responsible manner; or
- (v) sales, exchanges and other dispositions of short term investments in securities in the ordinary course of business;

(aaa) **"Permitted Liens"** means (a) Security Interests of the Lender under or pursuant to this Agreement and any other Loan Agreement; (b) Security Interests securing the payment of Taxes, either not yet overdue or the validity of which are being contested by appropriate proceedings diligently pursued and available to a Loan Party and with respect to which adequate reserves (to the extent required in accordance with ASPE) have been set aside on its books; (c) non-consensual statutory deemed trusts and Security Interests (other than Security Interests securing the payment of Taxes) arising in the ordinary course of a Loan Party's business to the extent: (i) such Security Interests secure indebtedness which is not overdue or the validity of which is being contested by appropriate proceedings diligently pursued and available to a Loan Party and with respect to which adequate reserves (to the extent required in accordance with ASPE) have been set aside in its books or (ii) such Security Interests secure indebtedness relating to claims or liabilities which are fully insured and being defended at the sole cost and expense and at the sole risk of the insurer or being contested by appropriate proceedings diligently pursued and available to a Loan Party, in each case prior to the commencement of foreclosure or other similar proceedings and with respect to which adequate reserves (to the extent required in accordance with ASPE) have been set aside on its books; (d) zoning restrictions, easements, minor title defects, encumbrances, licenses, covenants, rights reserved by Governmental Authorities, reservations of the Crown and other restrictions affecting the use of real property which do not interfere in any material respect with the ordinary conduct of the business of a Loan Party; (e) purchase money security interests in personal property (including capital leases) not to exceed \$100,000 in the aggregate at any time outstanding so long as such Security Interests do not apply to any property of a Loan Party other than the personal property so acquired, any insurance related thereto and proceeds thereof and the indebtedness secured thereby does not exceed the cost of the personal property or real estate so acquired, as the case may be; (f) Security Interests over cash and/or investments permitted by this Agreement; (g) Security Interests given by a Loan Party to a surety pursuant to a surety bond or indemnity agreement but only to the extent that such security secures indebtedness that only relates to a bond or indemnity agreement issued by a surety for a project and such security is limited to the specific assets of such project over assets that do not constitute Collateral; (h) any carrier's, warehousemen's, mechanic's and construction and other Security Interests arising by contract or operation of Applicable Law in the ordinary course of a Loan Party's business in respect of obligations which are not overdue for a period in excess of thirty (30) days or which are being contested by appropriate proceedings diligently pursued; (i) deposits of cash or securities in connection with any appeal, review or contestation of any security or Security Interest and any bonding arrangements made in the ordinary course of business to secure the performance of bids, tenders, contracts, leases, customs duties and other similar obligations; (j) banker's Security Interests, rights of combination of accounts or similar rights in the ordinary course of conducting day-to-day banking business in relation to deposit accounts or other funds maintained with a creditor depository institution; (k) the reversionary interests of landlords under operating leases of real property and the tenancy rights of tenants under operating leases of real property; (l) Security

Interests in favour of securities intermediaries and clearing agencies relating to the operation of securities accounts and security entitlements credited thereto arising in the ordinary course of maintaining such securities accounts and acquiring, owning or disposing such security entitlements; (m) such other Security Interests securing such obligations as may be approved by the Lender from time to time; (n) Security Interests securing Permitted Debt; and (o) the replacement, extension, modification or renewal of any Security Interest referred to in this definition upon or in respect of the same property arising out of the extension, renewal, modification or replacement of the indebtedness secured thereby (without increase in the amount thereof), provided that the Lender may contest improperly registered security interests or liens in the event such registered creditors attempt to realize on their security;

- (bbb) "**Person**" or "**person**" shall mean any individual, sole proprietorship, partnership, limited partnership, corporation, limited liability company, unlimited liability company, business trust, unincorporated association, joint stock corporation, trust, joint venture or other entity or any Governmental Agency, as applicable;
- (ccc) "**PPSA**" shall mean the *Personal Property Security Act* (Alberta), as amended, supplemented, restated and superseded, in whole or in part, from time to time, provided that, if the attachment, perfection or priority of the Lender's security in respect of any Collateral is governed by the laws of any jurisdiction other than Alberta, PPSA shall mean those other laws for the purposes hereof relating to such attachment, perfection or priority;
- (ddd) "**Prepayment Date**" means the date that is 60 days following the Closing Date;
- (eee) "**Prepayment Notice**" means an irrevocable written notice by the Borrower to the Lender of its desire to make a prepayment in accordance with the terms of the this Agreement, and indicating the amount of such prepayment;
- (fff) "**Real Property**" means any freehold or other interest in real and immovable property owned or leased by any Loan Party in connection with the operation of the Business or otherwise from time to time, including all plants, buildings, parking lots, roadways, structures, improvements, fixed machinery or equipment and fixtures situate on, or forming part of, such lands and premises, all as described in Exhibit C hereto;
- (ggg) "**Receiver**" shall have the meaning ascribed thereto in Section 8.2(d);
- (hhh) "**Records**" shall mean each Loan Party's present and future books of account of every kind or nature, purchase and sale agreements, invoices, ledger cards, bills of lading and other shipping evidence, statements, correspondence, memoranda, credit files and other data relating to the Collateral or any account debtor, together with the tapes, disks, diskettes and other data and software storage media and devices, file cabinets or containers in or on which the foregoing are stored (including any rights of the applicable Loan Party with respect to the foregoing maintained with or by any other Person);
- (iii) "**Regulatory Approval**" means all the approvals, consents, rulings, authorizations, notices, permits or acknowledgements that are required from any Person pursuant to Applicable Law or under the terms of any License or the conditions of any order in connection with the carrying on of Business by the Loan Parties as it is presently conducted or as may be properly conducted at the relevant time;
- (jjj) "**Related Parties**" means, with respect to any Person, such Person's Affiliates and the directors, shareholders, partners and senior officers of such Person and the Affiliates thereof, as well as any person which is not at Arm's-Length from a Loan Party, and "**Related Party**" means any one of them;
- (kkk) "**Restricted Payment**" means:
 - (i) the declaration, payment or setting aside for payment of any dividend or other distribution on or in respect of any shares in the capital of the Borrower or any other Loan Party (including distributions of interest on preferred shares and any return of capital on shares of any class);

- (ii) the redemption, retraction, purchase, retirement or other acquisition, in whole or in part, of any shares in the capital of the Borrower or any other Loan Party, or any securities, instruments or contractual rights capable of being converted into, exchanged or exercised for shares in the capital thereof, including, without limitation, options, warrants, conversion or exchange privileges and similar rights;
- (iii) except as otherwise expressly permitted in this Agreement, the making of any loan or advance or any other provision of credit or financial assistance by the Borrower or any other Loan Party to any Related Party;
- (iv) the repurchase or payment of any principal, interest, fees or other amounts on or in respect of any loans, advances or other Debt owing at any time by the Borrower or any other Loan Party to any Related Party, other than to the Borrower or a Loan Party;
- (v) (i) the payment of any amount, (ii) the sale, transfer, lease or other disposition of any assets, or (iii) any granting or creation of any rights or interests, at any time, by the Borrower or another Loan Party to or in favour of any Related Party, other than to the Borrower or another Loan Party, except reasonable compensation to officers, employees and directors for services rendered to a Loan Party in the ordinary course of business;
- (vi) the payment of any compensation, management, consulting or similar fee or any bonus payment or comparable payment, or by way of gift or other gratuity, to any Related Party of such person, except reasonable compensation to officers, employees and directors for services rendered to a Loan Party in the ordinary course of business; or
- (vii) payment for the purpose of setting apart any property for a sinking, defeasance or other analogous fund for any of the payments referenced above,

and whether any of the foregoing is made, paid or satisfied in or for cash, property or any combination thereof;

- (III) "**Sale of the Borrower**" means the sale to a third party:
 - (i) by the Borrower of 50% or more, calculated by and according to the then Fair Market Value, of the assets of the Borrower or any Affiliate or Subsidiary holding material assets; or
 - (ii) by any one or more of the shareholders of the Borrower of 50% or more (by votes) of the voting shares of the Borrower; or
 - (iii) by the Borrower of 50% or more (by votes) of the voting shares of any of its Subsidiaries;
- (mmm) "**Security**" means, collectively, the General Security Agreements, pledge agreements, guarantees, assignments and other security agreements, instruments and documents executed and delivered, or required to be executed and delivered, by the Borrower and each other Loan Party under and pursuant to this Agreement, in each case, with such modifications and insertions as may be required by the Lender, acting reasonably;
- (nnn) "**Security Interest**" means mortgages, charges, pledges, hypothecs, assignments by way of security, conditional sales or other title retentions, Security Interests, encumbrances, security interests or other interests in property, howsoever created or arising, whether fixed or floating, perfected or not, which secure payment or performance of an obligation and, including, in any event:
 - (i) deposits or transfers of cash, marketable securities or other financial assets under any agreement or arrangement whereby such cash, securities or assets may be withdrawn, returned or transferred only upon fulfilment of any condition as to the discharge of any other indebtedness or other obligation to any creditor;
 - (ii) rights of set-off;
 - (iii) the rights of lessors under capital leases or loans, operating leases and any other lease financing; and

- (iv) absolute assignments of accounts receivable;
- (ooo) "**Subsidiaries**" or "**Subsidiary**" shall mean, with respect to any Person, any corporation, partnership or other entity of which at least fifty (50%) percent of the securities or other ownership interests having by the terms thereof ordinary voting power to elect a majority of the board of directors or other persons performing similar functions of such corporation, partnership or other entity (irrespective of whether or not at the time securities or other ownership interests of any other class or classes of such corporation, partnership or other entity shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned or controlled by such Person or one or more Subsidiaries of such Person. The Borrower has no Subsidiaries as at the Closing Date;
- (ppp) "**Taxes**" means all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed, levied, collected, withheld or assessed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto;
- (qqq) "**Voting Equity Interests**" means capital stock of any class of any corporation or other Equity Interests of any other person which carries voting rights to elect the board of directors (or in respect of a person other than a corporation, other persons performing similar functions, including the control, management or direction of such person) under any circumstances.

1.2 Interpretation

All terms used herein which are defined in the PPSA shall, to the extent the context so admits, have the meanings given therein unless otherwise defined in this Agreement. All references to the plural herein shall also mean the singular and to the singular shall also mean the plural unless the context otherwise requires. All references to the Loan Parties and the Lender pursuant to the definitions set forth in the recitals hereto, or to any other Person herein, shall include their respective successors and assigns. The words "hereof", "herein", "hereunder", "this Agreement" and words of similar import when used in this Agreement (including the Exhibits or Schedules hereto) shall refer to this Agreement as a whole and not any particular provision of this Agreement and as this Agreement now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced. The word "including" when used in this Agreement shall mean "including, without limitation". References herein to any statute or any provision thereof include such statute or provision as amended, revised, re-enacted and/or consolidated from time to time and any successor statute thereto. An Event of Default shall exist or continue or be continuing until such Event of Default is waived in accordance with Section 10.3 or is cured to the satisfaction of the Lender, if such Event of Default is capable of being cured as determined by the Lender. Any accounting term used herein unless otherwise defined in this Agreement shall, unless the context otherwise requires, have the meanings customarily given to such term in accordance with ASPE. Canadian Dollars and the sign "\$" mean lawful currency of Canada. All monetary amounts referred to in this Agreement are in Canadian Dollars unless otherwise stated.

ARTICLE 2 - LOAN, INTEREST AND FEES

2.1 The Loan

Subject to fulfilment of each of the conditions precedent set out in Section 3.1 hereof, the Lender has agreed to extend to the Borrower a term loan in an aggregate face value principal amount of Two Million United States dollars (USD\$2,000,000). 90% of the Loan shall be advanced to the Borrower by the Lender in full on the Closing Date. Net proceeds of the Loan, after deducting issue expenses, shall be used by the Borrower for the following as listed below (all funds listed in USD), and for no other purpose without the prior written consent of the Lender.

TOTAL NET PROCEEDS \$1,800,000 USD

- **Mexico Project startup** **\$100,000**
 - System Deployment (Chemical, setup, hauling) \$50,000
 - Travel \$10,000
 - Engineering \$15,000
 - Legal (permits) \$ 5,000
 - Desalination system \$20,000
- **TWO 10,000 bpd system deployment** **\$ 75,000**
(Grand Forks, AB Waterflood & Louisiana Landfill Pond Remediation)

○ System Deployment (Refurb, setup, hauling)	\$50,000
○ Travel	\$ 5,000
○ Filtration	\$10,000
○ Tankage & onsite equipment	\$10,000
● OIW Metering System (AGAR Project)	\$100,000
● Manufacturing TWO 25,000 bpd systems	\$500,000
● Chemical Costs for 3 months	\$500,000
● Legal & Accounting	\$ 25,000
● Travel for Canadian Govt Projects	\$ 25,000
○ Tianjian China, Argentina, Mexico (non-project as per above) Africa	
● G&A for 6 months @ \$75,000/mth	\$450,000
● Consulting Fees/Miscellaneous	\$ 25,000

2.2 Promise to Pay

For value received, the Borrower hereby promises that it shall repay the Outstanding Principal Obligations and all interest and other amounts that may become due and owing to the Lender pursuant to the terms set out in this Agreement.

2.3 Repayment of Loan

(a) Principal

- (i) Subject to the provisions of this Agreement, the Outstanding Principal Obligations shall be repaid to the Lender in full on the Maturity Date.
- (ii) In addition, all accrued and unpaid interest on the Outstanding Principal Obligations and all fees and other amounts due and payable hereunder shall be repaid to the Lender on the Maturity Date.

(b) Interest

- (i) Subject to Section 2.8, the Borrower agrees that interest shall accrue and be calculated and paid quarterly in advance on the Outstanding Principal Obligations at the Interest Rate, on each of **January 1st, April 1st, July 1st and October 1st** of each calendar year, or if such day is not a Business Day, the first Business Day of such month (each an "**Interest Payment Date**"), commencing on the Closing Date and up to and including the Maturity Date and, both before and after demand and before and after default, judgment and execution from the date thereof until payment in full of all amounts owing to the Lender hereunder have been paid in accordance with terms of Section 2.3(a) hereof. The first interest payment shall be made on the Closing Date (and may be deducted by the Lender from the first advance of the Loan) and shall include all interest payable from the date of advance up to and including the first Interest Payment Date. Interest shall be paid in advance on a **quarterly** basis thereafter.
- (ii) Notwithstanding any other provision of this Agreement, if all or any portion of any amount due hereunder (including any amounts of principal or interest, and any fee or other amount payable) is not paid when due, whether at stated maturity, by acceleration or otherwise, the Borrower shall pay interest on such overdue amount (including interest on interest) at the Interest Rate if, and to the fullest extent, permitted by Applicable Law, from the date that such amount is due until the date that such amount is paid in full (but excluding the date of such payment if the payment is made before 1:00 p.m. (Calgary time) to the Lender on the date of such payment).

2.4 Payments by the Borrower

Any payment by the Borrower on account of any amount due and payable by it hereunder, whether on account of principal, interest, premiums, fees, costs and expenses or otherwise, shall be made by the Borrower to the Lender and no such payment by the Borrower shall be effective until such time as it is received by the Lender. Whenever any payment hereunder shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the

computation of interest or fees, as the case may be, payable on such date. All payments to be made by the Borrower to the Lender shall be in immediately available funds and received by the Lender no later than 1:00 p.m. (MST) on the date of payment in order to obtain same day credit. Any such payment so received after such time on such date shall be deemed to have been paid on, and shall be credited on the next following Business Day. Any interest on any portion of the Loan which is not paid when due shall bear interest as if such unpaid interest was an unpaid principal amount under the Loan. All payments received by the Lender shall be applied by the Lender to pay, in reverse order of maturity, all interest on overdue interest, all interest payments due and owing and Outstanding Principal Obligations, in that order.

2.5 Optional Prepayment

- (a) The Borrower may not prepay any amounts under this Agreement prior to the Prepayment Date.
- (b) On the Prepayment Date, the Borrower shall have the right, when not in default under this Agreement, to prepay the then Outstanding Principal Obligations and all capitalized, accrued and unpaid interest thereon up to the date of prepayment, provided the Borrower delivers to the Lender a Prepayment Notice at least five (5) Business Days prior to the Prepayment Date.
- (c) Any repayments under this paragraph shall be applied by the Lender to prepay, in reverse order of maturity, all interest on overdue interest, all accrued interest, whether or not due, all interest payments due and owing, all Outstanding Principal Obligations, in that order.
- (d) The notice provisions and provisions as to application of prepayment monies in reverse order of maturity as set out in this Section 2.5 shall also apply *mutatis mutandis* to partial prepayments.

2.6 Mandatory Prepayment

At the option of the Lender, any proceeds from or attributable to any Sale of the Borrower shall, unless the Lender otherwise agrees, be applied by the Borrower (or Lender), as applicable, to prepay any capitalized, accrued and unpaid interest and the then Outstanding Principal Obligations, in that order.

2.7 Advance of Loan

The Borrower agrees that neither the execution, nor registration, of any of the Security, nor the advancing in part of the Loan, shall bind the Lender to advance the Loan or any un-advanced portion thereof. The advance of the Loan or any part thereof shall be in the sole discretion of the Lender.

2.8 Interest and Loan Charges Not to Exceed Maximum Allowed by Law

Notwithstanding any other provision of this Agreement or any of the Loan Documents, in no event shall the aggregate "interest" (as that term is defined in Section 347 of the *Criminal Code* (Canada)) received by or payable to the Lender in connection with the transactions contemplated in this Agreement and the Loan Documents, exceed the effective annual rate of interest on the "credit advanced" (as defined therein) lawfully permitted under that section. The effective annual rate of interest shall be determined in accordance with generally accepted accounting practices and principles over the term that the principal amount of the Loan is outstanding and in the event of a dispute, a certificate of a Fellow of the Canadian Institute of Actuary appointed by the Lender shall be conclusive for the purposes of such determination. The parties hereto do not intend that the aggregate interest payable in connection with the transactions contemplated under the Loan Documents shall exceed such lawfully permitted rate or amount. Notwithstanding anything to the contrary herein contained, if the aggregate interest payable hereunder exceeds such lawfully permitted rate or amount, the rate and the amount of interest on the principal hereof shall be deemed to have been adjusted with retroactive effect to the maximum rate and amount permitted by law, such adjustment to be effected, to the extent necessary (but only to the extent necessary), as follows: first, by reducing the amount or rate of interest, and, thereafter, by reducing any fees, commissions, expenses, premiums and other amounts required to be paid to the Lender which would constitute "interest" (as that term is defined in Section 347 of the *Criminal Code* (Canada)). Further, the Lender shall be entitled to defer the timing of receipt or vary the manner of payment of any interest or amounts paid or payable to the Lender in connection with the transactions contemplated hereunder or thereunder, or to otherwise vary the terms pursuant to which such interest or any portion thereof or any other amount shall be paid to the Lender so that such payment shall not be in violation of Applicable Law. If such payments, regardless of timing, are determined to be contrary to the provisions of Section 347 of the *Criminal Code* (Canada), such payment, collection or demand shall be deemed to have been made by mutual mistake of the Borrower and the Lender and the amount of such payment or collection shall be refunded to the Borrower.

2.9 Interest Act (Canada)

Whenever a rate of interest or other rate per annum hereunder is calculated 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 or other rate shall be expressed as a yearly rate for purposes of the *Interest Act* (Canada) by multiplying such rate of interest or other rate by the actual number of days in the calendar year of calculation and dividing it by the number of days in the deemed year.

Whenever a rate of interest or other rate per annum hereunder is expressed or calculated on the basis of a year of 360 days, such rate of interest or other rate shall be expressed as a rate per annum, calculated on the basis of a 365 day year, by multiplying such rate of interest or other rate by 365 and dividing it by 360.

2.10 Nominal Rates; No Deemed Reinvestment

The principle of deemed reinvestment of interest shall not apply to any interest calculation under this Agreement. All interest payments to be made hereunder shall be paid without allowance or deduction for deemed reinvestment or otherwise, before and after maturity, default and judgment. The rates of interest specified in this Agreement are intended to be nominal rates and not effective rates. Interest calculated hereunder shall be calculated using the nominal rate method and not the effective rate method of calculation.

2.11 Waiver

To the extent permitted by Applicable Law, the covenant of the Borrower to pay interest at the rates provided herein shall not merge in any judgment relating to any obligation of the Borrower to the Lender and any provision of the *Interest Act* (Canada) which restricts any rate of interest set forth herein shall be inapplicable to this Agreement and is hereby waived by the Borrower.

ARTICLE 3 - CONDITIONS PRECEDENT

3.1 Conditions Precedent to Loan

Each of the following is a condition precedent to the Lender making the Loan hereunder:

- (a) the Lender shall have completed, and be satisfied with, in its sole discretion, its due diligence review with respect to the Borrower and other Loan Parties, such due diligence review to include access to any auditors, consultants or other professionals engaged by the Borrower or any other Loan Party;
- (b) this Agreement and all other Loan Documents and such other documents, agreements, instruments and certificates relating to the Loan Parties as the Lender reasonably requires, shall have been duly executed and delivered by all parties thereto, to the Lender, in form and substance satisfactory to the Lender;
- (c) the Lender shall have received evidence in form and substance satisfactory to the Lender, that the Lender has valid registered, perfected Security Interests upon the Collateral and any other property which is intended to be security for the Obligations or the liability of any Loan Party in respect thereof, in such priority as agreed by the Lender, subject only to Permitted Liens;
- (d) all requisite corporate action and proceedings in connection with this Agreement and the other Loan Documents shall be satisfactory in form and substance to the Lender, and the Lender shall have received all information and copies of all documents, including, without limitation, certificates of incumbency of each of the Loan Parties, records of requisite corporate action and proceedings which the Lender may have requested in connection therewith (including but not limited to approval of the Loan Documents and the securities to be issued upon conversion of this Agreement), such documents where requested by the Lender or its counsel to be certified by appropriate corporate officers or Governmental Authorities;
- (e) no Material Adverse Change shall have occurred since June 30, 2020;
- (f) the Lender shall have received and be satisfied with any shareholders' agreements, voting trust agreements, joint venture agreements, partnership agreements or any similar type agreements relating to the Loan Parties, if any;

- (g) the Lender shall be satisfied with and shall have reviewed and approved copies of all existing and proposed Material Contracts;
- (h) evidence of EDC insurance over the Borrower's receivables in the minimum amount of \$2,000,000 USD, and evidence of assignment of same to and in favor of Lender, on terms acceptable to the Lender;
- (i) the Lender shall have received, in form and substance satisfactory to the Lender in its sole discretion, the most recent financial data of the Borrower and the other Loan Parties, as applicable and required by the Lender;
- (j) the Lender shall have received, in form and substance satisfactory to the Lender, all consents, waivers, acknowledgments and other agreements from third Persons which the Lender may deem necessary or desirable, in order to permit, protect and perfect its Security Interests upon the Collateral or to effectuate the provisions or purposes of this Agreement and the other Loan Documents;
- (k) the Lender shall have received evidence of insurance and loss payee endorsements required hereunder and under the other Loan Documents, in form and substance satisfactory to the Lender, and certificates of insurance policies and/or endorsements naming the Lender as loss payee and additional insured, as applicable;
- (l) the Lender shall have received, in form and substance satisfactory to the Lender, such opinion letters of counsel to the Borrower and the Loan Parties with respect to the Loan Documents and such other matters as the Lender may request;
- (m) all representations and warranties contained herein and in the other Loan Documents shall be true and correct in all material respects with the same effect as though such representations and warranties had been made on and as of the date of the making of the Loan and after giving effect thereto; and
- (n) no Event of Default shall exist or have occurred and be continuing on and as of the date of the making of any advance of the Loan and after giving effect thereto.

ARTICLE 4 - COLLATERAL REPORTING AND COVENANTS

4.1 Verification of Collateral

The Lender or a Receiver authorized by the Lender, shall have the right, from time to time, so long as there are any outstanding Obligations, to verify the existence, state and value of the Accounts and Inventory and the Records, systems and business in general of the Borrower, in any manner the Lender may, acting reasonably, consider appropriate.

ARTICLE 5 - SECURITY

5.1 Security

The Borrower and each Loan Party shall execute and deliver the Security to which it is a party. In addition, the Borrower and each Loan Party shall execute and deliver, or shall cause to be executed and delivered, all such guarantees and mortgages, assignments and other agreements and instruments as may be required by the Lender, acting reasonably (each in form and substance satisfactory to the Lender, acting reasonably) in order to, or to more effectively, charge in favour of the Lender, grant or perfect Security Interests in favour of the Lender in, to and against all present and future real and personal property, assets and undertakings of the Borrower or a Loan Party as continuing collateral security for the payment and performance by the Borrower of all Obligations.

5.2 Registration

The Lender shall, at the Borrower's expense, register, file or record the Security in all offices where such registration, filing or recording is necessary or of advantage to the creation, perfection and preserving of the security applicable to it. The Lender (or the Borrower on request of the Lender) shall amend and renew such registrations, filings and recordings from time to time as and when required to keep them in full force and effect or to preserve the

priority established by any prior registration, filing or recording thereof and promptly furnish to the Lender proof of the foregoing.

5.3 Forms

The forms of Security shall have been or be prepared based upon the laws of Canada and the laws of the relevant Provinces or such other Applicable Laws as the Lender and its counsel has determined, in each case, in effect at the date hereof. The Lender shall have the right to require that:

- (a) any such Security be amended to reflect any changes in such laws, whether arising as a result of statutory amendments, court decisions or otherwise, in order to confer upon the Lender the Security Interests intended to be created thereby; and
- (b) the Borrower and any other Loan Parties execute and deliver to the Lender such other and further mortgages, trust deeds, assignments and security agreements as may be reasonably required to ensure that the Lender holds, subject to Permitted Liens, its' priority and perfected Security Interests on and against all present and future property, assets and undertakings of the Borrower and the other Loan Parties;

except that in no event shall the Lender require that the foregoing be effected if the result thereof would be to grant the Lender greater rights than is otherwise contemplated herein or therein.

5.4 Continuing Security

Each item or part of the Security shall for all purposes be treated as a separate and continuing collateral security and shall be deemed to have been given in addition to and not in place of any other item or part of the Security or any other security now held or hereafter acquired by the Lender. No item or part of the Security shall be merged or be deemed to have been merged in or by this Agreement or any documents, instruments or acknowledgements delivered hereunder, or any simple contract debt or any judgment, and any realization of or steps taken under or pursuant to any security, instrument or agreement shall be independent of and not create a merger with any other right available to the Lender under any security, instruments or agreements held by it or at law or in equity.

5.5 Dealing with Security

The Lender may grant extensions of time or other indulgences, take and give up securities (including the Security or any part or parts thereof), accept compositions, grant releases and discharges and otherwise deal with the Borrower, the Loan Parties, and other parties and with security (including without limitation, the Security and each part thereof) as the Lender may see fit, without prejudice to or in any way limiting the liability of the Borrower or a Loan Party or any of their respective Subsidiaries under this Agreement or the other Loan Documents or under any of the Security or any other collateral security.

5.6 Discharge and Release of Security

Subject to the following sentence, the Loan Parties, or any of them, shall not be discharged from the Security or any part thereof except pursuant to a written release and discharge or other document to like effect signed by the Lender. If any Loan Party transfers any Collateral in any manner not prohibited by this Agreement or the other Loan Documents, such Loan Party shall be entitled to obtain a release and discharge of the Security with respect to such Collateral. If a Loan Party creates or permits to subsist a lien or security interest referred to in paragraphs (e), (f) or (g) of the definition of Permitted Lien, such Loan Party shall be entitled to obtain a subordination of the Lender's Security Interests to the property subject to such Permitted Lien.

Following all of the outstanding Obligations having been permanently repaid, paid, satisfied and discharged in full and the Loan having been fully, permanently and irrevocably cancelled, the interest of the Lender in the Security shall be released and discharged.

ARTICLE 6 - REPRESENTATIONS AND WARRANTIES

6.1 Representations and Warranties

To induce the Lender to enter into this Agreement, the Borrower and each Loan Party hereby represents and warrants to the Lender as follows, and each acknowledge and agree that the Lender is relying upon the

representations and warranties and the truth and accuracy thereof, as a continuing condition of the making and continuance of the Loan by the Lender to the Borrower:

- (a) **Organization; Powers.** The Borrower and each other Loan Party is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now and formerly conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required.
- (b) **Authorization; Enforceability.** The transactions contemplated by the Loan Documents are within each Loan Party's corporate powers and have been duly authorized by all necessary corporate and, if required, shareholder action. This Agreement and the other Loan Documents have been duly executed and delivered by the Borrower and each other Loan Party thereto and constitute legal, valid and binding obligations of the Borrower and each other Loan Party thereto, enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganisation, moratorium or other Applicable Laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.
- (c) **Approvals; No Conflicts.** The transactions contemplated by the Loan Documents: (a) do not require any consent or approval of, registration or filing with, notice to be provided to, or any other action by, any Governmental Authority; (b) do not require any consent or approval of, registration or filing with, notice to be provided to, or any other action by, any party to a License or Regulatory Approval granted to any Loan Party to avoid the breaching of or loss of such License or Regulatory Approval; (c) will not violate any Applicable Law or the charter, by-laws or other organizational documents of the Borrower or any other Loan Party or any order of any Governmental Authority; and (d) will not result in the creation or imposition of any Security Interest on any assets or undertakings of the Borrower or any other Loan Party, except for any Security Interest arising in favour of the Lender under the Loan Documents.
- (d) **Litigation.** Except as set forth in 0, there are no actions, suits, counterclaims or proceedings (including any tax-related matter) by any Person or investigation by any Governmental Authority pending against or, to the Knowledge of the Borrower, threatened against or affecting the Borrower or any of the other Loan Parties: (i) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect; or (ii) that involve this Agreement, any other Loan Agreement, or the transactions contemplated herein or therein.
- (e) **Compliance with Applicable Laws.** The Borrower and each Loan Party is in compliance with all Applicable Law, except to the extent failure to so comply would not reasonably be expected to have a Material Adverse Effect.
- (f) **Taxes.** The Borrower and each other Loan Party has timely filed or caused to be filed all tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it (including all instalments with respect to the current period) and has made adequate provision for Taxes for the current period, except Taxes that are being contested in good faith by appropriate proceedings and for which the Borrower or such other Loan Party, as applicable, has set aside on its books adequate reserves.
- (g) **Title to Personal Property.** The Borrower and each other Loan Party have title to their respective owned personal properties, and with respect to leased personal properties, title to the leasehold estate with respect thereto, pursuant to valid and enforceable leases, free and clear of all Security Interests except Permitted Liens.
- (h) **Subsidiaries.** No Loan Party has any Subsidiaries or Affiliates except as set forth in Exhibit D.
- (i) **Share Capital and Organizational Matters.** The issued and outstanding share capital of the Loan Parties is detailed accurately in Exhibit D, and other than those rights granted to the Lender pursuant to this Agreement, there exist no other rights, options or entitlements of any Person to acquire any shares, warrants, options or other rights in the capital stock of the Loan Parties. All

shareholders owning, directly or indirectly, issued and outstanding shares of the Loan Parties are listed in Exhibit D. None of the Loan Parties are subject to any obligation (contingent or otherwise) to repurchase, redeem, retire or otherwise acquire any of its issued securities or any warrants, options or other rights to acquire its securities other than as set forth in as Exhibit D. As of the date hereof, all of the outstanding securities of the Loan Parties are validly issued, fully paid and non-assessable. Except as set forth in Exhibit D, there are no statutory or contractual preemptive rights, rights of first refusal, anti-dilution rights or any similar rights held by security holders of any Loan Party. None of the Loan Parties have violated any applicable securities laws in connection with the offer, sale or issuance of any of its securities. There are no agreements among shareholders of the Loan Parties with respect to any other aspects of the Loan Parties' affairs, other than the agreements described in Exhibit D. There is no agreement, option, understanding or commitment, or any right or privilege capable of becoming an agreement, for the purchase from the Loan Parties of any of their respective securities other than those set forth in as Exhibit D. There are no other provisions in the Articles, By-laws or any other agreement affecting the Borrower or any Loan Party requiring any vote or consent of the shareholders of any Loan Party to borrow money or to authorize the mortgage or pledge of or creation of any other Security Interest in any of its assets or undertakings, or to provide any guarantee contemplated hereunder, except the agreements described in Exhibit E. Such power is vested exclusively in the board of directors of each Loan Party.

- (j) **Financial Statements; No Material Adverse Change.** All financial statements relating to each Loan Party which have been or may hereafter be delivered by a Loan Party to the Lender have been prepared in accordance with ASPE and fairly present the financial condition and the results of operations of such Loan Party as at the dates and for the periods set forth therein. Except as disclosed in any interim financial statements furnished by a Loan Party to the Lender prior to the date of this Agreement, there has been no Material Adverse Change affecting any of the Loan Parties since the date of the most recent audited financial statements furnished by such Loan Party to the Lender prior to the date of this Agreement. There are not and there have not been, any off-balance sheet transactions or transactions between any of the Borrower and any member of the Loan Parties or its Affiliates that are not otherwise reflected in the annual financial statements and the interim financial statements thereof, as applicable.

Since June 30, 2020, there has been no event, development or circumstance that has had or could reasonably be expected to have a Material Adverse Effect.

- (k) **Chief Executive Office; Collateral Locations.** The chief executive office and head office of each Loan Party including each Loan Party's Records concerning Accounts are located only at the addresses set forth in 0 hereto and their only other places of business and the only other locations of Collateral, if any, are the addresses set forth in 0, subject to the right of the Borrower to update the 0 accordingly. 0 correctly identifies any of such locations which are not owned by a Loan Party and sets forth the owners and/or operators thereof.
- (l) **Real Property.** Exhibit C sets out the legal descriptions and municipal addresses of all Real Property owned or leased by the Borrower and any other Loan Party, and includes a general description of the material operations taking place on each such property. None of the Loan Parties has any option to acquire or lease, nor have any of them agreed to purchase or lease any other real property or interest in real property, other than the Real Property. With respect to the Real Property, to the Knowledge of the Borrower, or to the knowledge of the applicable Loan Party, after reasonable inquiry, as it relates to such Loan Party's Real Property:
- (i) there are no outstanding work orders or other requirements in respect of such property imposed by any Governmental Authority which impose a material obligation on the owner of the Real Property;
 - (ii) the uses to which all Real Property have been and are being put by the Borrower or the Loan Parties, as the case may be, is not in breach of any Applicable Law or any private agreement;

- (iii) none of the buildings, structures or improvements located on any of the Real Property (or any equipment thereon) nor the operation or maintenance thereof, violates any restrictive covenant or any provision of any federal, provincial, state or municipal law, ordinance, rule or regulation, or encroaches on any property owned by others;
- (iv) no notice has been received of any material by-law or regulatory change affecting any of the Real Property or relating to any threatened or pending condemnation or expropriation thereof;
- (v) each Real Property and all buildings, structures and improvements situated thereon and all systems therein and facilities and accessories and installations related thereto are in a good state of maintenance and repair, having regard to their age, which make them suitable for the purposes for which they are currently being used and each such property is serviced by all required public utility services; and
- (vi) there is adequate ingress and egress to and from each Real Property, to and from the public roads abutting or adjacent thereto for the operation of the business of the Borrower or the Loan Parties, as the case may be, in the ordinary course.

The Borrower and each other Loan Party have indefeasible fee simple title to their respective owned real properties, and with respect to leased real properties, indefeasible title to the leasehold estate with respect thereto, pursuant to valid and enforceable leases, free and clear of all Security Interests except Permitted Liens.

- (m) **Priority of Security Interests; Title to Properties.** The Security Interests granted to the Lender under this Agreement and the other Loan Documents constitute valid and perfected Security Interests in and upon the Collateral, subject only to Permitted Liens. Each of the Loan Parties has good and marketable title to all of their respective properties and assets, including but not limited to the Collateral, subject only to Permitted Liens. Each of the Loan Parties, as applicable, have full right, power and authority to grant Security Interests against the Collateral as set forth in the Loan Documents.
- (n) **Tax Returns.** Each Loan Party has filed, or caused to be filed, in a timely manner all material tax returns, reports and declarations which are required to be filed by it (without requests for extension except as previously disclosed in writing to the Lender). All information in such tax returns, reports and declarations is complete and accurate in all material respects. Each Loan Party has paid or caused to be paid all Taxes due and payable or claimed due and payable in any assessment received by it, except to an extent which would not reasonably be expected to have a Material Adverse Effect and Taxes, the validity of which are being contested by appropriate proceedings diligently pursued and available to such Loan Party and with respect to which adequate reserves have been set aside on its books (to the extent required by ASPE). Adequate provision has been made for the payment of all accrued and unpaid federal, provincial, municipal, local, foreign and other Taxes whether or not yet due and payable and whether or not disputed.
- (o) **Employees.** None of the Loan Parties are a party to any collective bargaining agreement, contract or legally binding commitment to any trade union or employee organization or group in respect of or affecting employees of any Loan Party. None of the Loan Parties are currently engaged in any labour negotiation. To the Knowledge of the Borrower, and to the knowledge of the applicable Loan Party, no Loan Party is a party to any application, complaint or other proceeding under any employment statute. No Loan Party is engaged in any unfair or unlawful labour practice and to the Knowledge of the Borrower, and to the knowledge of the applicable Loan Party, none of the Loan Parties are aware of any pending or threatened complaint regarding any unfair labour practices. There is no strike, labour dispute, work slowdown or stoppage pending or threatened against any Loan Party. None of the Loan Parties experienced any work stoppage. To the Knowledge of the Borrower, and to the knowledge of the applicable Loan Party, no Loan Party is the subject of any union organization effort.
- (p) **Material Contracts.** All of the Material Contracts to which any Loan Party is a party are listed in Exhibit E.

Each of the Material Contracts has been validly authorized, executed and delivered by the relevant Loan Party thereto and, to the Knowledge of the Borrower, and the knowledge of the applicable Loan Party, by all other parties to them, and constitute legal, valid and binding obligations enforceable in accordance with their terms against the relevant Loan Parties, and against all other parties to them. Except as disclosed in Exhibit E, each of the Material Contracts is in full force and effect without amendment, and there has been no material default under any of them by the Loan Parties or, to the Knowledge of the Borrower, and the knowledge of the applicable Loan Party, by any other party. Each Loan Party is in compliance with all the terms and conditions relating to the Material Contracts except where the failure to do so, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. No approval, notice to, or waiver from any other party to a Material Contract is required to be obtained or made by a Loan Party as a result of or in connection with the execution and delivery of, and performance by Loan Parties of its respective obligations under the Loan Documents, except for those identified in Exhibit E and which have been, or will be, obtained and delivered to Lender on or prior to the Closing Date, unless otherwise agreed to by the Lender.

- (q) **Status of Pension Plans.** None of the Loan Parties has established and nor do they administer any Pension Plans.
- (r) **Environmental Compliance.** Except as set forth in Exhibit H hereto:
 - (i) no Loan Party has generated, used, stored, treated, transported, manufactured, handled, produced or disposed of any Hazardous Materials, on or off its premises (whether or not owned by it) in any manner which at any time violates any applicable Environmental Law or any license, permit, certificate, approval or similar authorization thereunder which gives rise to a material liability on such Loan Party and the operations of each Loan Party comply in all material respects with all Environmental Laws and all licenses, permits, certificates, approvals and similar authorizations thereunder;
 - (ii) there has been no investigation, proceeding, complaint, order, directive, claim, citation or notice by any Governmental Authority or any other person nor is any pending or, to the Knowledge of the Borrower, or to the knowledge of the applicable Loan Party, threatened, with respect to any non-compliance with or violation of the requirements of any Environmental Law by either a Loan Party or the release, spill or discharge, threatened or actual, of any Hazardous Material or the generation, use, storage, treatment, transportation, manufacture, handling, production or disposal of any Hazardous Materials or any other environmental, health or safety matter;
 - (iii) no Loan Party has any material liability (contingent or otherwise) in connection with a release, spill or discharge, threatened or actual, of any Hazardous Materials or the generation, use, storage, treatment, transportation, manufacture, handling, production or disposal of any Hazardous Materials; and
 - (iv) each Loan Party has all licenses, permits, certificates, approvals or similar authorizations required to be obtained or filed in connection with its operations under any Environmental Law and all of such licenses, permits, certificates, approvals or similar authorizations are valid and in full force and effect.
- (s) **Securities.** The securities issuable upon conversion of this Agreement, when issued, sold and delivered in compliance with the terms and for the consideration expressed in this Agreement, will be duly authorized and validly issued, exempt from the registration and prospectus requirements of all applicable securities laws, fully paid and non-assessable. The issuance or sale by the Borrower of the securities issuable upon conversion of this Agreement will not trigger any anti-dilution adjustments, other than any such adjustments as have been effectively waived in writing prior to the date hereof.
- (t) **Restrictions on Doing Business.** None of the Loan Parties is a party to or bound by any agreement which would restrict or limit its right to carry on any business or activity or to solicit business from any Person or in any geographical area or otherwise to conduct the business of the

Loan Parties, as currently carried on or proposed to be carried on. No Loan Party has executed or is bound by any agreement which would impose any restriction or limitation on the right of any of them to carry on their business or which would result in a Material Adverse Effect. No Loan Party is subject to any legislation or any judgment, order or requirement of any Governmental Authority which is not of general application to persons carrying on a business similar to the business conducted by each of the Loan Parties.

- (u) **Intellectual Property.** None of the Loan Parties own or license any registered trademarks, industrial designs, patents, copyrights or other Intellectual Property except as set forth in Exhibit F. Except as disclosed in writing to the Lender, (a) each Loan Party is the sole and exclusive owner or licensee of, with all right, title and interest in and to (free and clear of any known claims by any Person), its Intellectual Property, and has sole and exclusive rights to the use thereof, (b) no Loan Party has knowingly infringed or violated and is not aware of any infringement or violation of any Intellectual Property or other proprietary rights of any other Person, and no Person has made any such claim, and (c) none of the Intellectual Property has been assigned or licensed to any other Person (excluding a Loan Party); except as set forth in Exhibit F.
- (v) **Regulatory Approvals.** To the Knowledge of the Borrower, and the knowledge of the applicable Loan Party, each Loan Party possesses all Regulatory Approvals required for the operation of the Business as currently conducted. Each Loan Party is conducting the Business in accordance with all terms and conditions of all Regulatory Approvals, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. All Regulatory Approvals are valid and are in full force and effect, no Loan Party is in violation of any term or provision or requirement of any Regulatory Approval, and no Person has, to the Knowledge of the Borrower, and the knowledge of the applicable Loan Party, threatened to revoke, amend or impose any condition in respect of, or commenced proceedings to revoke, amend or impose conditions in respect of, any Regulatory Approval previously granted to any Loan Party. There are currently no outstanding Regulatory Approvals or matters related thereto in respect of any Loan Party or its Business that have not been resolved, or otherwise disclosed to the Lender.
- (w) **Licenses.** To the Knowledge of the Borrower, and the knowledge of the applicable Loan Party, each Loan Party possesses all Licenses required for the operation of the Business as currently conducted, and all such Licenses are held by the applicable Loan Party free and clear of any and all Security Interests. Each Loan Party is conducting the Business in accordance with all terms and conditions of the Licenses, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. All the Licenses are valid and are in full force and effect, no Loan Party is in violation of any term or provision or requirement of any License, and no Person has, to the Knowledge of the Borrower, and the knowledge of the applicable Loan Party, threatened to revoke, amend or impose any condition in respect of, or commenced proceedings to revoke, amend or impose conditions in respect of, any License.
- (x) **Accuracy and Completeness of Information.** All information furnished by or on behalf of the Loan Parties in writing to the Lender in connection with this Agreement or any of the other Loan Documents or any transaction contemplated hereby or thereby, including all information set forth in the Schedules and Exhibits hereto, is true and correct in all material respects on the date as of which such information is dated or certified and does not omit any material fact necessary in order to make such information not misleading. To the Knowledge of the Borrower, no event or circumstance has occurred which has had or could be expected to result in a Material Adverse Change, which has not been fully and accurately disclosed to Lender in writing.
- (y) **Full Disclosure.** None of the information and material delivered to the Lender by or on behalf of any of the Loan Parties contains any untrue statement of a material fact or has omitted a material fact necessary to make the statements contained therein not materially misleading, and all such statements, taken as a whole, together with this Agreement, do not contain any untrue statement of a material fact or omit a material fact necessary to make the statements contained herein or therein not materially misleading. There is no fact known to any Loan Party, which the Borrower has not disclosed in writing to the Lender which could be considered to have a Material Adverse Effect on

any Loan Party or the ability of such Loan Party to perform its obligations under the Loan Documents.

6.2 Survival of Warranties; Cumulative

All representations and warranties contained in this Agreement or any of the other Loan Documents shall survive the execution and delivery of this Agreement and, to the extent applicable on such date, shall be deemed to have been made again to the Lender on the date of each advance of the Loan, additional borrowing or other credit accommodation hereunder and shall be conclusively presumed to have been relied on by the Lender regardless of any investigation made or information possessed by the Lender. The representations and warranties set forth herein shall be cumulative and in addition to any other representations or warranties which the Borrower or the other Loan Parties shall now or hereafter give, or cause to be given, to the Lender.

ARTICLE 7 - AFFIRMATIVE AND NEGATIVE COVENANTS

7.1 Maintenance of Existence and Business

Each Loan Party shall at all times preserve, renew and keep in full, force and effect its corporate existence, if applicable, and rights and franchises with respect thereto. Each Loan Party shall at all times maintain in full force and effect all permits, Licenses, trademarks, trade names, approvals, authorizations, leases and contracts necessary to carry on the Business as presently conducted.

7.2 Fundamental Changes.

- (a) No Loan Party will, without the prior written consent of the Lender, directly or indirectly, (i) merge into or amalgamate or consolidate with any other Person, or permit any other Person to merge into or amalgamate or consolidate with it; (ii) except for Permitted Dispositions, sell, assign, transfer, lease, abandon or otherwise dispose of (in one transaction or in a series of transactions) all or substantially all of its assets, all or any of its shares or securities, any or all of its indebtedness, or all or any of the Equity Interests of any of its Subsidiaries (in each case, whether now owned or hereafter acquired); or (iii) form or acquire any Subsidiary, unless such Subsidiary becomes a Loan Party.
- (b) No Loan Party will change its name without providing not less than thirty (30) days' prior written notice of such name change to the Lender, which notice shall set forth such new name and Borrower shall deliver, or cause to be delivered, to Lender, a certified copy of the Certificate or Articles of Amendment of such Loan Party providing for such name change promptly following its filing.
- (c) No Loan Party will engage to any material extent in any business other than the Business and businesses reasonably related thereto.

7.3 Compliance with Laws, Regulations, Etc.

- (a) The Borrower shall, and shall cause each Loan Party to, at all times, comply in all material respects with all Applicable Law except for any matter that the Borrower or the respective Loan Party is contesting by appropriate proceedings diligently pursued or where such non-compliance could not reasonably be expected to have a Material Adverse Effect.
- (b) Each Loan Party shall, at its expense, take such measures as it deems reasonably necessary to ensure continued compliance with all material Environmental Laws applicable to all of its operations, which shall include annual reviews of such compliance by employees or agents of such Loan Party who are familiar with the requirements of the Environmental Laws. Copies of all environmental surveys, audits, assessments, feasibility studies and results of remedial investigations shall be promptly furnished, or caused to be furnished, by each Loan Party to the Lender upon the request of the Lender. Each Loan Party shall take prompt and appropriate action to respond to any material non-compliance with any of the Environmental Laws.
- (c) Each Loan Party shall give written notice to the Lender promptly upon the Loan Party's receipt of any notice of, or such Loan Party's otherwise obtaining knowledge of, (i) the occurrence of any reportable event involving the release, spill or discharge, threatened or actual, of any Hazardous Material at, on, under or from any real property owned, leased or operated by such Loan Party, or

- (ii) any investigation, proceeding, complaint, order, directive, claims, citation or notice with respect to: (A) any material non-compliance with or violation of any Environmental Law by such Loan Party or (B) the reportable release, spill or discharge, threatened or actual, of any Hazardous Material at, on, under or from any real property owned, leased or operated by such Loan Party, or (C) the generation, use, storage, treatment, transportation, manufacture, handling, production or disposal of any Hazardous Materials at, on, under or from any real property owned, leased or operated by such Loan Party, or (D) any other environmental, health or safety matter; in each case of (A), (B), (C) and (D), which could reasonably be expected to have a Material Adverse Effect.
- (d) Without limiting the generality of the foregoing, whenever the Lender determines, acting reasonably, that there is material non-compliance, or any condition which requires any action by or on behalf of a Loan Party in order to avoid any material non-compliance, with any Environmental Law, such Loan Party shall, at the Lender's request and such Loan Party's expense: (i) cause an independent environmental engineer acceptable to the Lender to conduct such tests of the site where such Loan Party's non-compliance or alleged non-compliance with such Environmental Laws has occurred as to such non-compliance and prepare and deliver to the Lender a report as to such non-compliance setting forth the results of such tests, a proposed plan for responding to any environmental problems described therein, and an estimate of the costs thereof and (ii) provide to the Lender a supplemental report of such engineer whenever the scope of such non-compliance, or such Loan Party's response thereto or the estimated costs thereof, shall change in any material adverse respect.

7.4 Payment of Taxes and Claims

The Borrower shall, and shall cause each Loan Party to, duly pay and discharge all Taxes, assessments, contributions and charges by any Governmental Authority effected upon or against it or its assets or undertakings, except (i) to the extent the failure to do so could not reasonably be expected to have a Material Adverse Effect; and (ii) if the validity of such Taxes are being contested in good faith by appropriate proceedings diligently pursued and available to the Borrower or such Loan Party and with respect to which adequate reserves have been set aside on its books.

7.5 Books and Records; Inspection Rights.

Each Loan Party will keep proper Records and accounts in which full, true and correct entries are made of all dealings and transactions in relation to its Business and activities. Each Loan Party will permit any representatives designated by the Lender, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its Records and accounts, and to discuss its affairs, finances and condition with its officers, directors and independent accountants, all at such reasonable times and as often as reasonably requested; provided, however, if an Event of Default has occurred and is continuing, the Lender (or any of its representatives or independent contractors) may do any of the foregoing at the expense of the Loan Parties at any time during normal business hours and without advance notice.

7.6 Insurance

The Borrower shall, and shall cause each Loan Party to, at all times, maintain with financially sound and reputable insurers insurance with respect to the Collateral against loss or damage and all other insurance of the kinds and in the amounts customarily insured against or carried by corporations of established reputation engaged in the same or similar businesses and similarly situated. Said policies of insurance shall be satisfactory to the Lender, acting reasonably, as to form, amount and insurer. The Borrower shall furnish certificates to the Lender as the Lender shall reasonably require as proof of such insurance, and, if the Borrower fails to do so, the Lender is authorized, but not required, to obtain such insurance at the expense of the Borrower. All policies shall provide for at least thirty (30) days' (or such lesser period as the insurer is only prepared to agree to) prior written notice to the Lender of any cancellation or reduction of coverage and that the Lender may act as attorney for the Borrower in obtaining, and at any time an Event of Default exists or has occurred and is continuing, adjusting, settling, amending and cancelling such insurance. The Borrower shall cause the Lender to be named as a loss payee in respect of any insurance proceeds otherwise payable to a Loan Party and as an additional insured (but without any liability for any premiums) in relation to third party liability under such insurance policies and the Borrower shall obtain non-contributory lender's loss payable endorsements or its equivalent in respect of any insurance proceeds to all insurance policies. Such lender's loss payable endorsements or its equivalent shall specify that the proceeds of such

insurance otherwise payable to a Loan Party shall be payable to the Lender as its interests may appear and further specify that Lender shall be paid regardless of any act or omission by Borrower or any of their Affiliates. If no Event of Default exists, the Lender shall release any insurance proceeds received by it to Borrower. If an Event of Default exists, at its option, the Lender may apply any insurance proceeds received by the Lender at any time to the cost of repairs or replacement of Collateral and/or to payment of the Obligations, whether or not then due, in any order and in such manner as the Lender may determine or, if no Obligations are then due and payable, hold such proceeds as cash collateral for the Obligations to be applied in payment thereof as and when they become due and payable.

7.7 Financial Statements and Other Information

- (a) The Borrower (and each Loan Party from time to time) shall keep or cause to be kept, proper books and records in which true and complete entries shall be made of all dealings or transactions of or in relation to the Collateral and the Business of the Borrower and its Subsidiaries (if any, and each Loan Party, if applicable) in accordance with ASPE and the Borrower (and each Loan Party, if applicable) shall furnish or cause to be furnished to the Lender:
 - (i) within thirty (30) days after the end of each month, monthly management prepared financial statements for the Borrower and all Subsidiaries (including in each case a balance sheet, statement of income and loss and statement of cash flow and statements of shareholders' equity), all in reasonable detail, fairly presenting the financial position and the results of the operations of the Borrower and all Subsidiaries as of the end of and through such month;
 - (ii) within 30 days of each month end, certified margin calculations and detailed listing of aged accounts receivable and inventory of the Borrower. The calculations shall separately identify receivables guaranteed under the EDC or other insurance programs acceptable to the Lender;
 - (iii) within ninety (90) days after the end of each fiscal year, audited financial statements of the Borrower on a consolidated basis (together with the consolidating statements used in the preparation of such statements), including in each case balance sheets, statements of income and loss, statements of changes in financial position and statements of shareholders' equity, and the accompanying notes thereto, all in accordance with ASPE, fairly presenting the financial position and the results of operations as of the end of and for such fiscal year together with the management discussion and analysis and the unqualified opinion of independent chartered accountants that such financial statements have been prepared in accordance with ASPE, and present fairly the results of operations and financial condition as of the end of and for the fiscal year then ended.
- (b) The Borrower shall promptly notify the Lender in writing of the details of (i) any loss, damage, investigation, action, suit, proceeding or claim relating to the Collateral or any other property which is security for the Obligations and which could reasonably be expected to have a Material Adverse Effect, and (ii) the occurrence of any Default or Event of Default.
- (c) The Lender is, subject to Section 11.9, hereby authorized to deliver a copy of any financial statement or any other information relating to the business of a Loan Party to any partner, participant or assignee or prospective partner participant or assignee, or, if required by Applicable Law, to any Governmental Authority. Each Loan Party shall deliver to the Lender, at the Borrower's expense, copies of the financial statements of each Loan Party and any audit related reports prepared by their accountants or auditors on behalf of each Loan Party and shall disclose to the Lender such audit related reports; provided that, for greater certainty, such disclosure shall not relate to reports or letters which relate to business consulting services unrelated to audit services. Any documents, schedules, invoices or other papers delivered to the Lender may be destroyed or otherwise disposed of by the Lender one (1) year after the same are delivered to the Lender, except as otherwise designated by the Borrower to the Lender in writing.
- (d) The Borrower shall furnish to the Lender, at least sixty (60) days prior to the commencement of each fiscal year, each Loan Party's annual operating budget for the then following fiscal year, prepared on a monthly basis and including a detailed Capital Expenditures budget, which operating budget shall be approved by the Borrower's Board of Directors and shall include,

without limitation, balance sheets, income statements and cash flows which include detail on a monthly basis reflecting Capital Expenditures, acquisitions and financing required in connection therewith.

- (e) The Borrower shall promptly notify the Lender of any default under any lease of any of the Loan Parties' leased premises where the Business is being operated or where material Inventory is located.
- (f) The Borrower shall promptly provide the Lender with such other information and copies of agreements and documents, as from time to time may be reasonably requested by the Lender and senior management of the Borrower shall meet with representatives of the Lender on a regular basis, as reasonably required by the Lender.

7.8 Encumbrances

No Loan Party shall, without prior written consent of the Lender; create, incur, assume or suffer to exist any Security Interest of any nature whatsoever on any of its assets or properties, including the Collateral, except Permitted Liens.

7.9 Indebtedness

No Loan Party shall, without prior written consent of the Lender; incur, create, assume, become or be liable in any manner with respect to, or permit to exist, any indebtedness for borrowed money, except Permitted Debt; provided, that, as to such Permitted Debt: (i) no Loan Party shall (A) amend, modify, alter or change any of its terms or any agreement, document or instrument related thereto if such amendment, modification, alteration or change is materially disadvantageous to such Loan Party, or (B) redeem, retire, defease, purchase or otherwise acquire the obligations arising pursuant thereto, or set aside or otherwise deposit or invest any sums for such purpose, except in accordance with the terms and conditions thereof or permitted thereby, (ii) the Borrower shall furnish to the Lender all notices of default or demands for accelerated payment in connection therewith either received by a Loan Party or on its behalf, promptly after the receipt thereof, or sent by a Loan Party or on its behalf, concurrently with the sending thereof, as the case may be.

7.10 Loans, Investments, Guarantees, Etc.

No Loan Party shall, without prior written consent of the Lender, directly or indirectly, make any loans or advance money or property to any Person, or invest in (by capital contribution, dividend or otherwise) or purchase or repurchase the shares or create indebtedness or acquire all or a substantial part of the assets or undertakings of any Person, or guarantee, assume, endorse, or otherwise become responsible for (directly or indirectly) the indebtedness, performance, obligations or dividends of any Person or agree to do any of the foregoing, except: (a) the endorsement of instruments for collection or deposit in the ordinary course of business; (b) investments in: (i) short-term direct obligations of the Government of Canada, the United States of America or any political subdivision of either thereof or any instrumentality of any of the foregoing, (ii) negotiable certificates of deposit issued by any bank whose long-term debt is investment grade or is otherwise satisfactory to the Lender, payable to the order of a Loan Party or to bearer and delivered to the Lender or the security entitlements to which are credited to an account control agreement to which the Lender is party, and (iii) commercial paper rated A1 or P1.

7.11 Dividends and Redemptions

No Loan Party shall, without prior written consent of the Lender; directly or indirectly, declare or make any Restricted Payment or agree to do so.

7.12 Financial Covenants

The Borrower and the Loan Parties shall, at all times, maintain the financial covenants set forth in any Senior Credit Agreements approved by the Lender from time to time, calculated according to ASPE.

7.13 Transactions with Affiliates

No Loan Party shall, without prior written consent of the Lender; directly or indirectly, (a) purchase, acquire or lease any property from, or sell, transfer or lease any property to, any senior officer, director or other person affiliated with a Loan Party, that is not a Loan Party, except in the ordinary course of and pursuant to the reasonable requirements of a Loan Party's business and upon fair and reasonable terms no less favorable to a Loan Party than a Loan Party would obtain in a comparable Arm's-Length transaction with an unaffiliated person or

(b) make any payments of management, consulting or other fees for management or similar services, or of any indebtedness owing to any officer, employee, shareholder, director or other person affiliated with a Loan Party, that is not a Loan Party, except (x) reasonable compensation to officers, employees and directors or such other persons for services rendered to a Loan Party in the ordinary course of business, (y) services fees for legal, tax and accounting services or (z) as otherwise may be specifically permitted in this Agreement.

7.14 Intellectual Property

In the event a Loan Party obtains or applies for any rights related to Intellectual Property, the Borrower shall promptly notify the Lender thereof and shall provide to the Lender copies of all written materials including, but not limited to, applications and licenses with respect to such Intellectual Property. At the Lender's request, a Loan Party shall promptly execute and deliver to the Lender an intellectual property security agreement granting to the Lender a perfected Security Interest in such Intellectual Property in form and substance satisfactory to the Lender, acting reasonably.

7.15 Additional Bank Accounts

The Loan Parties shall not, directly or indirectly, open, establish or maintain any deposit account, investment account or any other account with any bank or other financial institution, other than as approved by the Lender.

7.16 Applications under the Companies' Creditors Arrangement Act

The Borrower acknowledges that its business and financial relationships with the Lender are unique from its relationship with any other of its creditors. The Borrower agrees that no Loan Party shall file any plan of arrangement under the CCAA ("**CCAA Plan**") which provides for, or would permit directly or indirectly, the Lender to be classified with any other creditor of any Loan Party for purposes of such CCAA Plan or otherwise.

7.17 Costs and Expenses

The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Lender, and its Affiliates, including the reasonable fees, charges and disbursements of counsel for the Lender, in connection with the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), and (ii) all out-of-pocket expenses incurred by the Lender, including the fees, charges and disbursements of counsel, in connection with the enforcement or protection of its rights in connection with this Agreement and the other Loan Documents, including its rights under this Section and including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect thereof.

Without limiting the foregoing, the Borrower shall pay all costs, expenses, filing fees incurred and taxes paid or payable for which the Borrower is responsible in connection with the preparation, negotiation, execution, delivery, recording, administration, collection, liquidation, enforcement and defense of the Obligations, the Lender's rights in the Collateral, this Agreement, the other Loan Documents and all other documents related hereto or thereto, including any amendments, supplements or consents which may hereafter be contemplated (whether or not executed) or entered into in respect hereof and thereof, including: (a) all costs and expenses paid or incurred of filing or recording (including PPSA financing statements and other similar filing and recording fees and taxes, documentary taxes, intangibles taxes and mortgage recording taxes and fees, if applicable); (b) all insurance premiums, appraisal fees and search fees paid or incurred; (c) costs and expenses paid or incurred in respect of remitting loan proceeds, collecting cheques and other items of payment, together with Lender's reasonable and customary charges and fees with respect thereto; (d) reasonable costs and expenses paid or incurred in respect of preserving and protecting the Collateral; (e) reasonable costs and expenses paid or incurred in connection with obtaining payment of the Obligations, enforcing the Security Interests of the Lender, selling or otherwise realizing upon the Collateral, and otherwise enforcing the provisions of this Agreement and the other Loan Documents or defending any claims made or threatened against the Lender arising out of the transactions contemplated hereby and thereby (including, without limitation, preparations for and consultations concerning any such matters); (f) the reasonable fees and disbursements of counsel (including legal assistants) to the Lender in connection with any of the foregoing.

All amounts due under this Section and Article 9 shall be payable promptly after demand therefor. A certificate of the Lender setting forth the amount or amounts owing to the Lender, as specified in this Section,

including reasonable detail of the basis of calculation of the amount or amounts, and delivered to the Borrower shall be *prima facie* evidence thereof absent manifest error.

7.18 Further Assurances

At the request of the Lender at any time and from time to time, each Loan Party shall, at its expense, duly execute and deliver, or cause to be duly executed and delivered, such further agreements, documents, mortgages, and instruments, and do or cause to be done such further acts as may be reasonably necessary or proper to evidence, perfect, maintain and enforce the Security Interests and the priority thereof in the Collateral and to otherwise effectuate the provisions or purposes of this Agreement or any of the other Loan Documents. Where permitted by Applicable Law, each Loan Party hereby authorizes the Lender to execute and file one or more PPSA or other financing statements or notices signed only by the Lender or the Lender's representative.

7.19 Most Favoured Lender

In the event a Loan Party enters into any material loan agreement evidencing indebtedness in respect of borrowed money with any lender containing one or more covenants (i) which are more restrictive on a Loan Party than the covenants set forth in this Agreement; or (ii) which has the effect of establishing rights or benefits for a lender more favorable in substance to such lender than any rights or benefits in favor of the Lender hereunder; each Loan Party agrees, at the request of the Lender, to amend this Agreement to include such restrictive covenants or such additional rights for so long as such other borrowed money remains outstanding. Nothing in this Section 7.19 shall be interpreted as a waiver of any covenant of any Loan Party.

ARTICLE 8 - EVENTS OF DEFAULT AND REMEDIES

8.1 Events of Default

The occurrence or existence of any one or more of the following events is referred to herein individually as an "**Event of Default**", and collectively as "**Events of Default**":

- (a) if the Borrower fails to pay when due any payment of principal, interest or other amount owing hereunder or under any other Loan Agreement;
- (b) if an Event of Default occurs under any Senior Credit Agreement in place from time to time, which is not cured within the applicable cure period set forth therein;
- (c) if any Loan Party fails to perform any of the terms, covenants, conditions or provisions contained in this Agreement (other than as set forth in paragraphs (a) and (b)) or contained in any of the other Loan Documents and such failure to perform (if capable of being cured as determined by the Lender) is not cured within ten (10) days of notice from the Lender to do so;
- (d) if any material representation, warranty or statement of fact made by any Loan Party to the Lender in this Agreement, the other Loan Documents or any other agreement, schedule, confirmatory assignment or otherwise is when made or deemed to be made, false or misleading in any material respect;
- (e) if any Loan Party revokes or terminates or questions the enforceability of this Agreement or any of the other Loan Documents;
- (f) unless covered by applicable insurance or letter of credit, if any judgment for the payment of money is rendered against any Loan Party in excess of \$100,000 in the aggregate and remains unsatisfied, undischarged and unvacated for a period in excess of thirty (30) days or if execution thereon having been initiated shall at any time not be effectively stayed before any such execution is carried out;
- (g) if any Loan Party, which is a partnership, limited liability company, limited partnership, limited liability partnership or a corporation, dissolves or suspends or discontinues doing business without the prior written consent of the Lender;
- (h) if a petition, case or proceeding under the bankruptcy laws of Canada or similar laws of any foreign jurisdiction now or hereafter in effect or under any insolvency, arrangement, reorganization, moratorium, receivership, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction now or hereafter in effect (whether at law or in equity) is filed or

commenced against any Loan Party or all or any part of its properties and such petition or application is not dismissed within thirty (30) days after the date of its filing or any Loan Party shall file any answer admitting or not contesting such petition or application or indicates its consent to, acquiescence in or approval of, any such action or proceeding or the relief requested is granted sooner;

- (i) if a petition, case or proceeding under the bankruptcy laws of Canada or similar laws of any foreign jurisdiction now or hereafter in effect or under any insolvency, arrangement, reorganization, moratorium, receivership, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction now or hereafter in effect (whether at a law or equity) is filed or commenced by any Loan Party for all or any part of its property including, without limitation, if any Loan Party shall:
 - (i) apply for or consent to the appointment of a receiver, trustee or liquidator of it or of all or a substantial part of its assets and undertakings;
 - (ii) be unable, or admit in writing its inability, to pay its debts as they mature, or commit any other act of bankruptcy;
 - (iii) make a general assignment for the benefit of creditors;
 - (iv) file a voluntary petition or assignment in bankruptcy or a proposal seeking a reorganization, compromise, moratorium or arrangement with its creditors;
 - (v) take advantage of any insolvency or other similar law pertaining to arrangements, moratoriums, compromises or reorganizations, or admit the material allegations of a petition or application filed in respect of it in any bankruptcy, reorganization or insolvency proceeding; or
 - (vi) take any corporate action for the purpose of effecting any of the foregoing;
- (j) if there occurs any default by any Loan Party under any agreement, document or instrument relating to any indebtedness for borrowed money owing to any person other than the Lender, or any capitalized lease obligations, contingent indebtedness in connection with any guarantee, letter of credit, indemnity or similar type of instrument in favour of any person other than the Lender, in any case in an amount in excess of \$100,000;
- (k) if there is any Change of Control in respect of any Loan Party without the Lender's prior written consent;
- (l) on the occurrence of a Material Adverse Change, as determined by the Lender, acting reasonably;
- (m) if there is a breach or failure to comply by any Loan Party with the provisions of any interlender agreement to which the Lender is party with respect to any Loan Party;
- (n) if a requirement from the Minister of National Revenue for payment pursuant to Section 224 or any successor section of the *Income Tax Act* (Canada) or Section 317, or any successor section or any other Person in respect of the Borrower of the *Excise Tax Act* (Canada) or any comparable provision of similar legislation of any jurisdiction shall have been received by the Lender or any other Person in respect of the Borrower or otherwise issued in respect of the Borrower which is not satisfied or discharged, as applicable, within thirty (30) days; or
- (o) if this Agreement or any other Loan Agreement, or any provision hereof or thereof, shall at any time after execution and delivery hereof or thereof, for any reason, cease to be a legal, valid and binding obligation of any Loan Party or cease to be enforceable against any Loan Party in accordance with its terms or shall be declared to be null and void and as a result of any of the foregoing, the rights of the Lender, taken as a whole under the Loan Documents, are materially prejudiced.

8.2 Remedies

- (a) At any time an Event of Default exists or has occurred and is continuing, the Lender shall have all rights and remedies provided in this Agreement, the other Loan Documents, the PPSA and other

Applicable Law, all of which rights and remedies may be exercised without notice to or consent by any Loan Party, except as such notice or consent is expressly provided for hereunder or required by Applicable Law. All rights, remedies and powers granted to the Lender hereunder, under any of the other Loan Documents, the PPSA or other Applicable Law, are cumulative, not exclusive and enforceable, in the Lender's discretion, alternatively, successively, or concurrently on any one or more occasions, and shall include, without limitation, the right to apply to a court of equity for an injunction to restrain a breach or threatened breach by any Loan Party of this Agreement or any of the other Loan Documents. At any time an Event of Default exists, the Lender may, at any time or times, proceed directly against any Loan Party to collect the Obligations without prior recourse to the Collateral.

- (b) Without limiting the foregoing, at any time an Event of Default exists or has occurred and is continuing, the Lender may, by written notice to Borrower (a "**Notice of Termination**"), accelerate the payment of all Obligations and demand immediate payment thereof to the Lender (provided, that, upon the occurrence of any Event of Default described in Sections 8.1(h) and 8.1(i), all Obligations shall automatically become immediately due and payable without the requirement to give any notice, and in such event, a Notice of Termination shall deemed to have been given). Following the delivery of a Notice of Termination by the Lender, the Lender may, in its discretion and without limitation: (i) with or without judicial process or the aid or assistance of others, enter upon any premises on or in which any of the Collateral may be located and take possession of the Collateral or complete processing, manufacturing and repair of all or any portion of the Collateral and carry on the business of each Loan Party, (ii) require each Loan Party, at each Loan Party's expense, to assemble and make available to the Lender any part or all of the Collateral at any place and time designated by the Lender, (iii) collect, foreclose, receive, appropriate, setoff and realize upon any and all Collateral, (iv) remove any or all of the Collateral from any premises on or in which the same may be located for the purpose of effecting the sale, foreclosure or other disposition thereof or for any other purpose, (v) sell, lease, transfer, assign, deliver or otherwise dispose of any and all Collateral (including entering into contracts with respect thereto, public or private sales at any exchange, broker's board, at any office of the Lender or elsewhere) at such prices or terms as the Lender may deem reasonable, for cash, upon credit or for future delivery, with the Lender having the right to purchase the whole or any part of the Collateral at any such public sale, all of the foregoing being free from any right or equity of redemption of the Loan Parties, which right or equity of redemption is hereby expressly waived and released by the Loan Parties, (vi) borrow money and use the Collateral directly or indirectly in carrying on the Loan Parties' business or as security for loans or advances for any such purposes, (vii) grant extensions of time and other indulgences, take and give up security, accept compositions, grant releases and discharges, and otherwise deal with the Loan Parties, debtors of the Loan Parties, sureties and others as the Lender may see fit without prejudice to the liability of the Loan Parties or the Lender's right to hold and realize the Security Interests created under any Loan Agreement, and/or (viii) terminate this Agreement. If any of the Collateral is sold or leased by the Lender upon credit terms or for future delivery, the Obligations shall not be reduced as a result thereof until payment therefor is finally collected by the Lender. If notice of disposition of Collateral is required by law, fifteen (15) days' prior notice by the Lender to the Borrower designating the time and place of any public sale or the time after which any private sale or other intended disposition of Collateral is to be made, shall be deemed to be notice thereof and the Loan Parties waive any other notice. In the event the Lender institutes an action to recover any Collateral or seeks recovery of any Collateral by way of pre-judgment remedy, the Loan Parties waive the posting of any bond which might otherwise be required.
- (c) The Lender shall apply the cash proceeds of Collateral actually received by the Lender from any sale, lease, foreclosure or other disposition of the Collateral to payment of the Obligations in accordance with Section 2.4, subject always to the provisions of any interlender agreement, as applicable. Loan Parties shall remain liable to the Lender for the payment of any deficiency with interest at the highest rate provided for herein and all costs and expenses of collection or enforcement, including reasonable legal costs and expenses.

- (d) Subject to the provisions of any interlender agreement, the Lender may appoint, remove and reappoint any person or persons, including an employee or agent of the Lender to be a receiver (the "**Receiver**") which term shall include a receiver and manager of, or agent for, all or any part of the Collateral. Any such Receiver shall, as far as concerns responsibility for his acts, be deemed to be the agent of the Loan Parties and not of the Lender, and the Lender shall not in any way be responsible for any misconduct, negligence or non-feasance of such Receiver, his employees or agents. Except as otherwise directed by the Lender, all money received by such Receiver shall be received in trust for and paid to the Lender. Such Receiver shall have all of the powers and rights of the Lender described in this Section 8.2. The Lender may, either directly or through its agents or nominees, exercise any or all powers and rights of a Receiver.
- (e) Loan Parties shall pay all reasonable costs, charges and expenses incurred by the Lender or any Receiver or any nominee or agent of the Lender, whether directly or for services rendered (including, without limitation, reasonable solicitor's costs on a full indemnity basis, auditor's costs, other legal expenses and Receiver remuneration) in enforcing this Agreement or any other Loan Agreement and in enforcing or collecting Obligations and all such expenses together with any money owing as a result of any borrowing permitted hereby shall be a charge on the proceeds of realization and shall be secured hereby.

ARTICLE 9- INDEMNITY, TAX AND RELATED PROVISIONS

9.1 Taxes

- (a) **Payments Subject to Taxes.** If any Loan Party, or the Lender, is required by Applicable Law to deduct or pay any Indemnified Taxes (including any Other Taxes) in respect of any payment by or on account of any obligation of a Loan Party hereunder or under any other Loan Agreement, then
 - (i) the sum payable shall be increased by that Loan Party when payable as necessary so that after making or allowing for all required deductions and payments (including deductions and payments applicable to additional sums payable under this Section) the Lender receives an amount equal to the sum it would have received had no such deductions or payments been required, (ii) the Loan Party shall make any such deductions required to be made by it under Applicable Law, and (iii) the Loan Party shall timely pay the full amount required to be deducted to the relevant Governmental Authority in accordance with Applicable Law.
- (b) **Payment of Other Taxes by the Borrower.** Without limiting the provisions of paragraph (a) above, the Borrower shall timely pay, or cause to be paid, any Other Taxes to the relevant Governmental Authority in accordance with Applicable Law.
- (c) **Indemnification by the Borrower.** The Borrower shall indemnify the Lender for and pay, within ten (10) Business Days after demand therefor, the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by the Lender and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by the Lender shall be *prima facie* evidence thereof.
- (d) **Evidence of Payments.** As soon as practicable after any payment of Indemnified Taxes or Other Taxes by a Loan Party to a Governmental Authority, the Loan Party shall deliver to the Lender the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Lender.
- (e) **Treatment of Certain Refunds and Tax Reductions.** If the Lender determines, in its sole discretion, that it has received a refund of any Taxes or Other Taxes to which it has been indemnified by the Borrower or with respect to which a Loan Party has paid additional amounts pursuant to this Section or that, because of the payment of such Taxes or Other Taxes, it has benefited from a reduction in Excluded Taxes otherwise payable by it, it shall pay to the Borrower or the Loan Party, as applicable, an amount equal to such refund or reduction (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower or the Loan

Party under this Section with respect to the Taxes or Other Taxes giving rise to such refund or reduction), net of all out-of-pocket expenses of the Lender and without interest (other than any net after-tax interest paid by the relevant Governmental Authority with respect to such refund). The Borrower or Loan Party as applicable, upon the request of the Lender, agrees to repay the amount paid over to the Borrower or the Loan Party (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Lender if the Lender is required to repay such refund or reduction to such Governmental Authority. This paragraph shall not be construed to require the Lender to make available its tax returns (or any other information relating to its taxes that it deems confidential) to the Borrower or any other Person, to arrange its affairs in any particular manner or to claim any available refund or reduction.

- (f) **Accounting.** Upon request of the Borrower, the Lender shall provide a detailed computation of any Taxes or Other Taxes for which it requests compensation under this Section 9.1.

9.2 Indemnity for Transactional and Environmental Liability

- (a) The Borrower hereby agrees to indemnify, exonerate and hold the Lender and its partners, officers, directors, employees, agents and shareholders, where applicable (collectively, the "**Indemnified Parties**") free and harmless from and against any and all claims, demands, actions, causes of action, suits, losses, costs (including, without limitation, all documentary, recording, filing, mortgage or other stamp taxes or duties), charges, liabilities and damages, and expenses in connection therewith (irrespective of whether such Indemnified Party is a party to the action for which indemnification hereunder is sought), and including, without limitation, reasonable legal fees and out of pocket disbursements and amounts paid in settlement of any and every kind whatsoever when such amounts paid in settlement have been approved by the Borrower, acting reasonably (collectively, in this Section 9.2(a), the "**Indemnified Liabilities**"), paid, incurred or suffered by, or asserted against, the Indemnified Parties or any of them as a result of, or arising out of, or relating to (i) any transaction financed or to be financed in whole or in part, directly or indirectly, with the proceeds of any credit extended hereunder, (ii) any actual or threatened investigation, litigation or other proceeding relating to any credit extended or proposed to be extended as contemplated herein or (iii) the occurrence of any Event of Default; except for any Excluded Taxes and any such Indemnified Liabilities which a court of competent jurisdiction determines, pursuant to a final non-appealable order, arose on account of the relevant Indemnified Party's breach of any Loan Agreement, gross negligence or wilful misconduct.
- (b) Without limiting the generality of the indemnity set out in Section 9.2(a), the Borrower hereby further agrees to indemnify, exonerate and hold the Indemnified Parties free and harmless from and against any and all claims, demands, actions, causes of action, suits, losses, costs, charges, liabilities and damages, and expenses in connection therewith, including, without limitation, reasonable legal fees and out of pocket disbursements, and amounts paid in settlement of any and every kind whatsoever when such amounts paid in settlement have been approved by the Borrower (collectively, in this Section 9.2(b), the "**Indemnified Liabilities**"), paid, incurred or suffered by, or asserted against, the Indemnified Parties or any of them for, with respect to, or as a direct or indirect result of, (i) the presence on or under, or the escape, seepage, leakage, spillage, discharge, emission or release from, any real property legally or beneficially owned (or any estate or interest which is owned), leased, used or operated by the Borrower or any other Loan Party, of any Hazardous Material or (ii) the breach or violation of any Environmental Law by the Borrower or any other Loan Party, regardless of whether caused by, or within the control of, the Borrower or Loan Party, as the case may be; except for any such Indemnified Liabilities which a court of competent jurisdiction determines, pursuant to a final non-appealable order, arose on account of the relevant Indemnified Party's breach of any Loan Agreement, gross negligence or wilful misconduct.
- (c) All obligations provided for in this Section 9.2 shall survive the payment of the Obligations and the termination and non-renewal of this Agreement and shall not be reduced or impaired by any investigation made by or on behalf of the Lender.
- (d) The Borrower hereby agrees that, for the purposes of effectively allocating the risk of loss placed on the Borrower by this Section 9.2, the Lender shall be deemed to be acting as the agent or

trustee on behalf of and for the benefit of its shareholders, partners, officers, directors, employees and agents.

- (e) If, for any reason, the obligations of the Borrower pursuant to this Section 9.2 shall be unenforceable, the Borrower agrees to make the maximum contribution to the payment and satisfaction of each obligation that is permissible under Applicable Law, except to the extent that a court of competent jurisdiction determines such obligations arose on account of the breach of any Loan Agreement or the gross negligence or wilful misconduct of any Indemnified Party or to the extent that such obligations relate to Excluded Taxes.
- (f) To the fullest extent permitted by Applicable Law, the Borrower shall not assert, and hereby waives, any claim against any Indemnified Party, on any theory of liability, for indirect, consequential, punitive, aggravated or exemplary damages (as opposed to direct damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Agreement or any agreement or instrument contemplated hereby (or any breach thereof), the transactions contemplated hereby or thereby, any Loan or the use of the proceeds thereof. Except to the extent resulting from the gross negligence or wilful misconduct of such Indemnified Party, no Indemnified Party shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby.

ARTICLE 10 - WAIVERS AND CONSENTS; GOVERNING LAW

10.1 Governing Law; Choice of Forum; Service of Process

- (a) The validity, interpretation and enforcement of this Agreement and the other Loan Documents and any dispute arising out of the relationship between the parties hereto, whether in contract, tort, equity or otherwise, shall be governed by the laws of the Province of Alberta and the federal laws of Canada applicable therein; except as otherwise may be otherwise expressly provided in the Loan Documents.
- (b) Except as otherwise specifically stated in the other Loan Documents, the Loan Parties and the Lender irrevocably consent and submit to the non-exclusive jurisdiction of the courts of the Province of Alberta and waive any objection based on venue or *forum non conveniens* with respect to any action instituted therein arising under this Agreement or any of the other Loan Documents or in any way connected with or related or incidental to the dealings of the parties hereto in respect of this Agreement or any of the other Loan Documents or the transactions related hereto or thereto, in each case whether now existing or hereafter arising, and whether in contract, tort, equity or otherwise, and agree that any dispute with respect to any such matters shall be heard only in the courts described above (except that the Lender shall have the right to bring any action or proceeding against any Loan Party or its property in the courts of any other jurisdiction which the Lender deems necessary or appropriate in order to realize on the Collateral or to otherwise enforce the Lender's rights against any Loan Party or its property).
- (c) To the extent permitted by Applicable Law, each Loan Party hereby waives personal service of any and all process upon it and consents that all such service of process may be made by registered mail (return receipt requested) directed to its address set forth on the signature pages hereof and service so made shall be deemed to be completed five (5) days after the same shall have been so deposited in the Canadian mail, or, at the Lender's option, by service upon the Loan Parties in any other manner provided under the rules of any such courts. Within thirty (30) days after such service, such Loan Party shall appear in answer to such process, failing which such Loan Party shall, to the extent the applicable rules of civil procedure allow or permit, be deemed in default and judgment may be entered by the Lender against such Loan Party for the amount of the claim and other relief requested.
- (d) The Lender shall not have any liability to any Loan Party (whether in tort, contract, equity or otherwise) for losses suffered by any Loan Party in connection with, arising out of, or in any way related to the transactions or relationships contemplated by this Agreement or any other Loan Agreement, or any act, omission or event occurring in connection herewith, unless it is determined

by a final judgment or court order binding on the Lender, that the losses were the result of any breach of any Loan Documents or acts or omissions constituting gross negligence or willful misconduct. In any such litigation, the Lender shall be entitled to the benefit of the rebuttable presumption that it acted in good faith and with the exercise of ordinary care in the performance by it of the terms of this Agreement or any other Loan Agreement. Notwithstanding the foregoing, no claim may be made by Loan Parties or any other Person against the Lender or the Affiliates, directors, officers, employees, or agents of any of them for any special, indirect, consequential or punitive damages in respect of any claim for breach of contract of any other theory of liability arising out of or related to the transactions contemplated by this Agreement or any other Loan Agreement, or any act, omission or event occurring in connection therewith, and each Loan Party hereby waives, releases and agrees not to sue upon any claim for such damages, whether or not accrued and whether or not known or suspected to exist in its favour.

- (e) Each Loan Party hereby expressly waives, to the extent permitted by Applicable Law, all rights of notice and hearing of any kind prior to the exercise of rights by the Lender at any time an Event of Default exists to repossess the Collateral with judicial process or to replevy, attach or levy upon the Collateral or other security for the Obligations. Each Loan Party hereby waives, to the extent permitted by Applicable Law, the posting of any bond otherwise required of the Lender in connection with any judicial process or proceeding to obtain possession of, replevy, attach or levy upon the Collateral or other security for the Obligations, to enforce any judgment or other court order entered in favour of the Lender, or to enforce by specific performance, temporary restraining order, preliminary or permanent injunction, this Agreement or any other Loan Agreement.

10.2 Waiver of Notices

Each Loan Party hereby expressly waives, to the extent permitted by Applicable Law, demand, presentment, protest and notice of protest and notice of dishonour with respect to any and all instruments and commercial paper, included in or evidencing any of the Obligations or the Collateral, and any and all other demands and notices of any kind or nature whatsoever with respect to the Obligations, the Collateral and this Agreement, except such as are expressly provided for herein. No notice to or demand on any Loan Party which the Lender may elect to give shall entitle such Loan Party to any other or further notice or demand in the same, similar or other circumstances.

10.3 Amendments and Waivers

Any term, covenant or condition of any of the Loan Documents may only be amended with the prior consent of Borrower and the Lender or compliance therewith may be waived (either generally or in a particular instance and either retroactively or prospectively) by the Lender and in any such event the failure to observe, perform or discharge any such covenant, condition or obligation, so amended or waived (whether such amendment is executed or such consent or waiver is given before or after such failure) shall not be construed as a breach of such covenant, condition or obligation or as a Default or Event of Default.

10.4 Waiver of Counterclaims

Except as otherwise provided in the Loan Documents with respect to the Lender's gross negligence, fraud or intentional misconduct, each Loan Party waives all rights to interpose any claims, deductions, setoffs or counterclaims of any nature (other than compulsory counterclaims) in any action or proceeding with respect to this Agreement, the other Loan Documents, the Obligations, the Collateral or any matter arising therefrom or relating hereto or thereto.

ARTICLE 11 - MISCELLANEOUS

11.1 Notices; Effectiveness; Electronic Communication

- (a) **Notices Generally.** Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in paragraph (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile to the addresses or facsimile numbers specified elsewhere in this Agreement or, if to the Lender, to it at its address or facsimile number specified in this Agreement or, if to a Loan Party other than Borrower, in care of Borrower.

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by facsimile shall be deemed to have been given when sent (except that, if not given on a Business Day between 9:00 a.m. and 5:00 p.m. local time where the recipient is located, shall be deemed to have been given at 9:00 a.m. on the next Business Day for the recipient). Notices delivered through electronic communications to the extent provided in paragraph (b) below, shall be effective as provided in said paragraph (b).

- (b) **Electronic Communications.** Notices and other communications to the Lender hereunder may be delivered or furnished by electronic communication (including e-mail and internet or intranet websites) pursuant to procedures approved by the Lender. The Lender or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications.

Unless the Lender otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

- (c) **Change of Address, Etc.** Any Loan Party may change its address, phone or fax number, email address or other contact information for notices and other communications hereunder by notice to the Lender and the other parties hereto.

11.2 Partial Invalidity

If any provision of this Agreement is held to be invalid or unenforceable, such invalidity or unenforceability shall not invalidate this Agreement as a whole, but this Agreement shall be construed as though it did not contain the particular provision held to be invalid or unenforceable and the rights and obligations of the parties hereto shall be construed and enforced only to such extent as shall be permitted by Applicable Law.

11.3 Successors and Assigns

- (a) **Successors and Assigns Generally.** The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that no Loan Party may assign or otherwise transfer any of its rights or obligations hereunder or under any other Loan Agreement without the prior written consent of the Lender and any other attempted assignment or transfer shall be null and void. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, and, to the extent expressly contemplated hereby, the Related Parties of the Lender) any legal or equitable right, remedy or claim under or by reason of this Agreement.
- (b) **Assignments by Lender.** The Lender may at any time assign to one or more Persons, all or a portion of its rights and obligations under this Agreement (including all or a portion of the Loan at the time owing to it); provided that:
- (i) except if an Event of Default has occurred and is continuing, the assignee shall not be a non-resident (as defined in the *Income Tax Act (Canada)*);
 - (ii) each partial assignment shall be made as an assignment of a proportionate part of all the Lender's rights and obligations under this Agreement with respect to the Loan assigned, except that this clause (ii) shall not prohibit the Lender from assigning all or a portion of its rights and obligations among separate credits on a non-pro rata basis; and

- (iii) the parties to each assignment shall execute and deliver to the Lender an Assignment and Assumption.

If an Event of Default has occurred and is continuing, the Lender may assign to one or more Persons, all or a portion of its rights under the Loan Documents with no further restriction or requirement.

From and after the effective date specified in each Assignment and Assumption, the transferee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of the Lender under this Agreement and the other Loan Documents, including any collateral security, and the Lender shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, the Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Article 4 and Section 7.17, and shall continue to be liable for any breach of this Agreement by such Lender, with respect to facts and circumstances occurring prior to the effective date of such assignment. Any payment by an assignee to the Lender in connection with an assignment or transfer shall not be or be deemed to be a repayment by the Borrower or a new Loan to Borrower.

11.4 Entire Agreement

This Agreement, the other Loan Documents, any supplements hereto or thereto, and any instruments or documents delivered or to be delivered in connection herewith or therewith represents the entire agreement and understanding concerning the subject matter hereof and thereof between the parties hereto, and supersedes all other prior agreements, understandings, negotiations and discussions, representations, warranties, commitments, proposals, offers and contracts concerning the subject matter hereof, whether oral or written, including without limitation any term sheet or commitment letter issued by the Lender prior to the date hereof. In the event of any inconsistency between the terms of this Agreement and any schedule or exhibit hereto, the terms of this Agreement shall govern.

11.5 Headings

The division of this Agreement into Sections and the insertion of headings and a table of contents are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

11.6 Judgment Currency

To the extent permitted by Applicable Law, the obligations of Borrower in respect of any amount due under this Agreement shall, notwithstanding any payment in any other currency (the "**Other Currency**") (whether pursuant to a judgment or otherwise), be discharged only to the extent of the amount in the currency in which it is due (the "**Agreed Currency**") that the Lender may, in accordance with normal banking procedures, purchase with the sum paid in the Other Currency (after any premium and costs of exchange) on the Business Day immediately after the day on which the Lender receives the payment. If the amount in the Agreed Currency that may be so purchased for any reason falls short of the amount originally due, the Borrower shall pay all additional amounts, in the Agreed Currency, as may be necessary to compensate for the shortfall. Any obligation of the Borrower not discharged by that payment shall, to the extent permitted by Applicable Law, be due as a separate and independent obligation and, until discharged as provided in this Section, continue in full force and effect.

11.7 Counterparts; Integration; Effectiveness; Electronic Execution

- (a) **Counterparts; Integration; Effectiveness.** This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Except as provided in the conditions precedent Section(s) of this Agreement, this Agreement shall become effective when it has been executed by the Lender and when the Lender has received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or by sending a scanned copy by electronic mail shall be effective as delivery of a manually executed counterpart of this Agreement.

- (b) **Electronic Execution of Assignments.** The words "execution", "signed", "signature", and words of like import in any Assignment and Assumption shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any Applicable Law, including Parts 2 and 3 of the *Personal Information Protection and Electronic Documents Act* (Canada) and other similar federal or provincial laws based on the *Uniform Electronic Commerce Act* of the Uniform Law Conference of Canada or its *Uniform Electronic Evidence Act*, as the case may be.

11.8 Credit Information

The Borrower hereby consents to the collection, use, exchange and disclosure on a confidential basis of credit or other information from time to time by the Lender with its partners, any other financial institution, credit bureau, credit reporting agency and any Person with whom Borrower may have business dealings with for the purpose of managing and administering the Loan. The Borrower understands that this information may be used for any purpose relating to the Loan, including, without limitation, the exercise of the Lender's rights hereunder or under any other agreement or document contemplated hereunder.

11.9 Confidentiality

The Lender agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to each of its and each of its Affiliates', limited partners, directors, officers, employees, agents and advisors, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made shall be informed of the confidential nature of such Information and shall be instructed and agree to keep such Information confidential), (b) to the extent requested by any Governmental Authority, or their legal counsel, (c) to the extent required by Applicable Laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies under any Loan Agreement or any suit, action or proceeding relating to any Loan Agreement or the enforcement of rights thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any actual or prospective assignee of or Participant (or such assignee's or Participant's advisors) in any of its rights or obligations under this Agreement, or (g) with the consent of the Borrower. For the purposes of this Section, "**Information**" means all information received from the Borrower or any Loan Party relating to the Borrower, any of the Loan Parties, or their respective businesses, other than Information that (i) is or becomes publicly available other than as a result of a breach of this Section, (ii) is or becomes available to the Lender on a non-confidential basis prior to disclosure by the Borrower, (iii) was already in the possession of the Lender or not subject to any duty of confidentiality prior to its disclosure by the Borrower or any other Loan Party or (iv) is marked "non-confidential" (or such other words or expression having the same or similar meaning by the Borrower or any other Loan Party). Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information, acting prudently.

11.10 Paramountcy

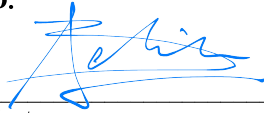
In the event of any conflict or inconsistency between the provisions of this Agreement and the provisions of any other Loan Agreement, the provisions of this Agreement shall prevail and be paramount. If any covenant, representation, warranty or event of default contained in any other Loan Agreement deals differently with, is in conflict with or is inconsistent with a provision of this Agreement relating to the same specific matter, such covenant, representation, warranty or event of default shall be deemed to be amended to the extent necessary to ensure that it does not deal differently with, is not in conflict with or inconsistent with the provision of this Agreement relating to the same specific matter.

[Signature pages follow]

IN WITNESS WHEREOF, the Lender and the Borrower have caused these presents to be duly executed as of the day and year first above written.

LENDER

ARNAKI LTD.

Per: 
Authorized Signatory **ARIEL S BELILO**
DIRECTOR

Address:
Ellen Skelton Building, 3076 Sir Francis Drake Highway,
Road Reef, P.O. Box 765, Road Town, Tortola VG1110,
British Virgin Islands

BORROWER

SOLVAQUA INC.

DocuSigned by:

Chris Tesarski

Per: _____

Name: Chris Tesarski

Title: President and Chief Executive Officer

Chief Executive Office Address:

1050, 444 – 5th Avenue SW Calgary, AB T2T 2T8

Attention: Chris Tesarski

Acknowledgement

Each of the undersigned Loan Parties hereby acknowledges and agrees to be bound by the terms and conditions contained in this Agreement, as of the day and year first above written.

CORESOURCE SOLUTIONS LLC

DocuSigned by:
Chris Tesarski
Per: _____
Name: 3CD3B233A61B415...
Title:

CORESOURCE SOLUTIONS (CANADA) INC.

DocuSigned by:
Chris Tesarski
Per: _____
Name: 3CD3B233A61B415...
Title:

Exhibit A
**Chief Executive Offices and
Locations of Collateral**

Chief Executive Offices of the Loan Parties:

Canadian Office:

Suite 1050, 444 – 5th Avenue SW
Calgary, AB T2P 2P2

US Office:

Suite 1600, 1600 Broadway
Denver, CO 80202

Mexico City Office:

Paseo de la Reforma 2654, 9th Floor
Miguel Hidalgo Delegation, Col.
Lomas Aitas, 11950 Mexico City, DF

Other Locations of Collateral or place of business or where Inventory and other assets are maintained or stored:

Almaloya del Rio, Mexico
Abilene, TX
Calgary, AB
Grand Forks, AB
Billings, MT
Glenrock, WY
Edmonton, AB
Denver, CO

Exhibit B
Assignment and Assumption

This Assignment and Assumption (the "**Assignment and Assumption**") is dated as of the Effective Date set forth below and is entered into by and between *[Insert name of Assignor]* (the "**Assignor**") and *[Insert name of Assignee]* (the "**Assignee**"). Capitalized terms used but not defined herein shall have the meanings given to them in the Loan Agreement identified below (as amended, the "**Loan Agreement**"), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Loan Agreement, as of the Effective Date inserted by Lender as contemplated below (i) all of the Assignor's rights and obligations in its capacity as a Lender under the Loan Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor and (ii) to the extent permitted to be assigned under Applicable Law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Loan Agreement, any other documents or instruments delivered pursuant thereto or the loan-transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clause (i) and (ii) above being referred to herein collectively as, the "**Assigned Interest**"). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1. Assignor: _____
2. Assignee: _____
3. Borrower: _____
5. Loan Agreement: _____
6. Assigned Interest: _____

Effective Date: _____, 20____ **[TO BE INSERTED BY LENDER AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]**

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR
[NAME OF ASSIGNOR]

By: _____
Title:

ASSIGNEE
[NAME OF ASSIGNEE]

By: _____
Title:

ANNEX 1 to Assignment and Assumption
STANDARD TERMS AND CONDITIONS FOR
ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties

Assignor

The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any Security Interest, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Loan Agreement or any other Loan Agreement, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates, any Loan Party or any other Person obligated in respect of any Loan Agreement or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any Loan Party or any other Person of any of their respective obligations under any Loan Agreement.

Assignee

The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Loan Agreement, (ii) it meets all requirements of an assignee under the Loan Agreement (subject to receipt of such consents as may be required under the Loan Agreement), (iii) from and after the Effective Date, it shall be bound by the provisions of the Loan Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, and (iv) it has received a copy of the Loan Agreement, together with copies of the most recent financial statements delivered pursuant to Section 7.7 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Lender; and (b) agrees that (i) it shall, independently and without reliance on the Assignor, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it shall perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a lender.

General Provisions

This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and permitted assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy or by sending a scanned copy by electronic mail shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law governing the Loan Agreement.

Exhibit C
Real Property

None.

Exhibit D
Organizational Matters

Issued and Outstanding Shares:

Corporation	Shareholders	Number and Class Issued
solvAqua Inc.	Chris Tesarski	100 Common Shares

Details of Shareholder Agreement:

None

Rights to repurchase, redeem retire or otherwise acquire issued securities of the Loan Parties:

None

Statutory or contractual pre-emptive rights, ROFR's, anti-dilution or similar rights applicable to any securityholders of the Loan Parties:

None

Rights to purchase securities granted to any Person:

None

Exhibit E
Material Contracts

Description of Material Contracts:

Project Charter for WMS Process Water Recovery with R&R Ready Mix LLC dated April 23, 2020

Project Charter for WMS Process Water Recovery with VivaVentures Inc. dated April 9, 2020

MFD Technology License between CoResource Solutions LLC and Sutherland Separation Systems Inc. dated August 9, 2016

Exhibit F
Intellectual Property

LICENSE AGREEMENTS

License Agreement as between George Sutherland, as patent holder, and CoResource Solutions LLC for an exclusive comprehensive license to the following patent:

REGISTERED PATENTS

Country	Patent No.	Patent Title
United States	7,750,066 B2	Treatment of Aqueous Compositions Containing Contaminants

License Agreement as between Ian Ireland, as provisional patent holder, and CoResource Solutions LLC for an exclusive comprehensive license to the following patent:

PENDING PATENTS

Country	Application No.	Patent Title and Additional Information
United States	62/187,579	Micro-Encapsulating Flocculating Dispersion Water Treatment System

Exhibit G
Litigation

Description of Litigation:

Statement of Claim between Allan John Mahoney, as plaintiff, and solvAqua Inc., CoResource Solutions (Canada) Inc., CoResource Solutions (Canada) Inc. and Chris Tesarski dated June 23, 2020

Claim is for unpaid consulting services - aggregate claim of CDN\$303,712.00, including \$50,000 punitive damages.

Exhibit H
Environmental

None

This is Exhibit "C" referred to in the
Affidavit of Ariel S. Belilo affirmed before
me, this 15th day of August, 2022

A handwritten signature in blue ink, appearing to read 'MS', is written over a horizontal line.

A Commissioner for taking Affidavits, etc.

Michael Crampton, LSO #74512G

LOAN AGREEMENT

by and between

ARNAKI LTD. as Lender

and

SOLVAQUA INC.

as Borrower

Dated: JANUARY 4, 2021

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LOAN AGREEMENT

This Loan Agreement dated as of January 4, 2021 is entered into among **ARNAKI LTD.** (the "**Lender**") and **SOLVAQUA INC.**, a corporation organized under the laws of the Province of Alberta (the "**Borrower**") and the other Loan Parties identified on the signature pages hereof.

WHEREAS the Borrower wishes to borrow funds from the Lender to use as set forth herein and the Lender is willing to grant the Loan to the Borrower on the terms and conditions set out in this Agreement;

NOW, THEREFORE, in consideration of the mutual conditions and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1 - DEFINITIONS

1.1 Definitions

For purposes of this Agreement, the capitalized terms not otherwise defined in this Agreement shall have the respective meanings given to them below:

- (a) "**Accounts**" shall mean all present and future rights of a Loan Party to payment for goods sold or leased or for services rendered, and whether or not earned by performance;
- (b) "**Affiliate**" means, with respect to a specified Person, another Person that directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with the Person specified;
- (c) "**Agreed Currency**" shall have the meaning ascribed thereto in Section 11.6;
- (d) "**Applicable Law**" means (a) any domestic or foreign statute, law, treaty, code, ordinance, rule, regulation, restriction or by-law (zoning or otherwise); (b) any judgement, order, writ, injunction, decision, ruling, decree or award; (c) any regulatory policy, practice, guideline or directive; or (d) any franchise, licence, qualification, authorization, consent, exemption, waiver, right, permit or other approval of any Governmental Authority, binding on or affecting the Person referred to in the context in which the term is used or binding on or affecting the property of such Person; in each case to the extent having the force of law;
- (e) "**Arm's-Length**" shall have the meaning given to that term in the *Income Tax Act* (Canada) as at the date of this Agreement;
- (f) "**ASPE**" means Canadian accounting standards for private enterprises as provided from time to time by the Canadian Institute of Chartered Accountants and applied on a consistent basis;
- (g) "**Assignment and Assumption**" means an assignment and assumption entered into by the Lender and an assignee, in substantially the form of Exhibit B or any other form approved by the Lender;
- (h) "**BIA**" shall mean the *Bankruptcy and Insolvency Act* (Canada), as amended, supplemented, restated and superseded, in whole or in part, from time to time;
- (i) "**Business**" means the business currently carried on by the Borrower and the other Loan Parties, being the treatment of wastewater through the use of proprietary technology;
- (j) "**Business Day**" shall mean a day (other than a Saturday, Sunday or statutory holiday in the Province of Alberta) on which the Lender is open for business in the normal course;
- (k) "**Capital Expenditures**" shall mean, for any fiscal period, any amounts accruing or paid in respect of any purchase or other acquisition for value of capital assets, and for greater certainty, excludes the value of any trade-in exchanged on such purchase and acquisition and amounts expended in respect of (i) the normal repair and maintenance of capital assets in the ordinary course of business, (ii) repair or replacement of capital assets the payment for which is funded by insurance proceeds, (iii) any business acquisition or (iv) capital lease payments;
- (l) "**CCAA**" shall mean the *Companies' Creditors Arrangement Act* (Canada), as amended, supplemented, restated and superseded, in whole or part, from time to time;

- (m) "**CCAA Plan**" shall have the meaning ascribed thereto in Section 7.16;
- (n) "**Change of Control**" means if any person, excluding existing holders of such Equity Interests, acquires, directly or indirectly, alone or in concert with other persons within the meaning of the *Securities Act* (Alberta), over a period of time or at any one time, Equity Interests of a person aggregating in excess of 50% of all of the issued and outstanding Voting Equity Interests; provided that the Borrower shall cause any new shareholder of each Loan Party to provide to the Lender, upon request by the Lender, a pledge of all of such shareholder's shares in the capital of such Loan Party promptly upon becoming a shareholder;
- (o) "**Closing Date**" means the date on which the proceeds of the Loan are advanced to the Borrower by the Lender;
- (p) "**Collateral**" shall mean, collectively, Collateral as such term is defined in the General Security Agreements and all Real Property charged by the Security Interests granted in favour of the Lender from time to time;
- (q) "**Compound Annual Return**" means a compounded annual rate of return of seven (7%) percent on the Outstanding Principal Obligations, assuming the Outstanding Principal Obligations are fully drawn as of the Closing Date, notwithstanding the actual dates on which such advances are made;
- (r) "**Default**" means any event or condition that constitutes an Event of Default or that would constitute an Event of Default except for satisfaction of any condition subsequent required to make the event or condition an Event of Default, including giving of any notice, passage of time, or both;
- (s) "**EDC**" means Export Development Canada;
- (t) "**Environmental Laws**" shall mean with respect to any Person all Applicable Law relating to health, safety, hazardous, dangerous or toxic substances, waste or material, pollution and environmental matters, as now or at any time hereafter in effect, applicable to such Person and/or its business and facilities (whether or not owned by it), including laws relating to emissions, discharges, releases or threatened releases of pollutants, contamination, chemicals, or hazardous, toxic or dangerous substances, materials or wastes into the environment (including, without limitation, ambient air, surface water, ground water, land surface or subsurface strata) or otherwise relating to the generation, manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, chemicals, or hazardous, toxic or dangerous substances, materials or wastes;
- (u) "**Equity Interests**" means (a) in respect of a corporation, shares in its capital stock (including common and preferred shares), (b) in respect of a general partnership or a limited partnership, any partnership interest therein and any interest in the income or capital of or distributions from such partnership, whether any such interest is denominated in units or not; (c) in respect of a trust, any beneficial interest therein or in the assets or income thereof, whether denominated in units or not; and (d) in respect of any other Person, any similar or corresponding interest in its capital, assets or equity; and includes any right, warrant, option or other security conferring a right to acquire any of the foregoing;
- (v) "**Event of Default**" shall mean the occurrence or existence of any event or condition described in Section 8.1 hereof;
- (w) "**Excluded Taxes**" means, with respect to the Lender or any other recipient of any payment to be made by or on account of any obligation of a Loan Party hereunder, (a) taxes imposed on or measured by its capital, net income, and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the laws of which such recipient is organized or in which its principal office is located or, in the case of the Lender, in which its' lending office is located; and (b) any profit taxes or any similar tax imposed by any jurisdiction in which the Lender is located;
- (x) "**Fair Market Value**" means the fair market value of the Borrower (or the Person in question) as determined pursuant to a valuation report by an independent chartered business valuator mutually agreeable to the Lender and the Borrower;

- (y) "**General Security Agreements**" shall mean the general security agreements and hypothecs (if applicable) given by the Loan Parties, as applicable, in favour of the Lender in respect of the Obligations;
- (z) "**Governmental Authority**" means the Government of Canada or any other nation, or any political subdivision thereof, whether provincial, state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government;
- (aa) "**Guarantor**" shall mean any guarantor, endorser, acceptor, surety or other Person liable on or with respect to the Obligations, and including any successors or assigns thereof;
- (bb) "**Hazardous Materials**" shall mean any hazardous, toxic or dangerous substances, materials and wastes, including, without limitation, hydrocarbons (including naturally occurring or man-made petroleum and hydrocarbons), flammable explosives, asbestos, urea formaldehyde insulation, radioactive materials, biological substances, polychlorinated biphenyls, pesticides, herbicides and any other kind and/or type of pollutants or contaminants (including, without limitation, materials which include hazardous constituents), sewage, sludge, industrial slag, solvents and/or any other similar substances, materials, or wastes and including any other substances, materials or wastes that are or become regulated under any Environmental Law (including, without limitation any that are or become classified as hazardous or toxic under any Environmental Law);
- (cc) "**Indemnified Liabilities**" shall have the meaning ascribed thereto in Section 9.2(a) and 9.2(b);
- (dd) "**Indemnified Parties**" shall have the meaning ascribed thereto in Section 9.2(a);
- (ee) "**Indemnified Taxes**" means Taxes other than Excluded Taxes;
- (ff) "**Intellectual Property**" shall mean all issued patents and patent applications, industrial design registrations, trade-marks, registrations and applications therefor, trade-names and styles, logos, copyright registrations and applications therefor which are owned by or licensed to a Loan Party and used in or necessary to the operation of its Business;
- (gg) "**Interest Payment Date**" shall have the meaning subscribed thereto in Section 2.3(b)(i);
- (hh) "**Interest Rate**" means a rate of 7.0 % per annum;
- (ii) "**Inventory**" means inventory of each Loan Party as defined under the PPSA;
- (jj) "**Knowledge of the Borrower**" with respect to any fact or matter referred to herein means that at least Chris Tesarski has, or at any time had knowledge or should reasonably have had knowledge, of that fact or other matter, and such individual will be deemed to have conducted a reasonably comprehensive review of the applicable Loan Party's books, records and information in respect of that fact;
- (kk) "**License**" means any license, permit, authorization, approval or other evidence of authority issued or granted to, conferred upon, or otherwise created for, a Loan Party by any Governmental Authority relating to its Business or required by the Loan Parties to carry on the Business;
- (ll) "**Loan**" shall mean the term loan in an aggregate principal amount of Two Million United States dollars (USD\$2,000,000), to be extended by the Lender to the Borrower pursuant to the terms of this Agreement;
- (mm) "**Loan Documents**" shall mean, collectively, this Agreement, the Security, and all notes, assignments, guarantees, mortgages and other agreements, documents and instruments now or at any time hereafter executed and/or delivered by any Loan Party in connection with this Agreement or the Security, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced;
- (nn) "**Loan Parties**" means the Borrower, each Guarantor and any other Person which is a party to a Loan Agreement (other than the Lender) and "**Loan Party**" shall mean any one of them as the context may require. For greater certainty, any Subsidiary or future Subsidiary of the Borrower shall be required to be a Loan Party, unless otherwise consented to by the Lender in writing;

- (oo) "**Material Adverse Change**" means any event, development or circumstance that has had or could in the opinion of the Lender reasonably be expected to have a Material Adverse Effect;
- (pp) "**Material Adverse Effect**" means (a) a material negative effect on the business, assets, liabilities, affairs, operations, prospects, operations or condition, financial or otherwise, of the Loan Parties, or (b) any effect on the validity or enforceability of any of the Loan Documents, the priority of the Security Interests created thereby or the rights and remedies of the Lender thereunder or (c) any material negative effect on any Material Contract, or (d) any negative effect on the amount which the Lender would be likely to receive (after giving effect to delays in payment and costs of enforcement) upon the liquidation of the Collateral;
- (qq) "**Material Contracts**" means all contracts and agreements, written or unwritten, which are material to the Loan Parties or to the operation of the Business of the Loan Parties, all of which are listed in Exhibit E hereto, true and complete copies of which have been provided to the Lender;
- (rr) "**Maturity Date**" shall mean September 1, 2021;
- (ss) "**Notice of Termination**" shall have the meaning ascribed thereto in Section 8.2(b);
- (tt) "**Obligations**" shall mean the Loan and all other obligations, liabilities and indebtedness of every kind, nature and description owing by any Loan Party to the Lender or its Affiliates, including principal, interest, charges, fees, costs and expenses, however evidenced, whether as principal, surety, endorser, guarantor or otherwise, arising under this Agreement or the other Loan Documents, whether now existing or hereafter arising, whether arising before, during or after the initial or any renewal term of this Agreement or after the commencement of any proceeding with respect to any Loan Party under the BIA, the CCAA, or any similar statute in any jurisdiction (including the payment of interest and other amounts which would accrue and become due but for the commencement of such proceeding, whether or not such amounts are allowed or allowable in whole or in part in such proceeding), whether direct or indirect, absolute or contingent, joint or several, due or not due, primary or secondary, liquidated or unliquidated, secured or unsecured, and however acquired by the Lender or its Affiliates;
- (uu) "**Other Currency**" shall have the meaning ascribed thereto in Section 11.6;
- (vv) "**Other Taxes**" means all present or future documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or under any other Loan Agreement or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Agreement, other than Excluded Taxes;
- (ww) "**Outstanding Principal Obligations**" means, at any time, the aggregate Loan amount pursuant to paragraph 2.1 below, plus all capitalized interest or overdue interest, less any and all payments of principal made in reduction of such amount;
- (xx) "**Pension Plans**" shall mean all benefit plans providing pensions, superannuation benefits or retirement savings, including pension plans, top up pensions or supplemental pensions, "registered retirement savings plans" (as defined in the *Income Tax Act* (Canada)), "registered pension plans" (as defined in the *Income Tax Act* (Canada)) and "retirement compensation arrangements" (as defined in the *Income Tax Act* (Canada)) which a Loan Party sponsors or administers or into which a Loan Party makes contributions;
- (yy) "**Permitted Debt**" means (a) the Obligations; (b) trade obligations, Taxes, governmental duties and charges and normal accruals in the ordinary course of business not past due, or with respect to which a Loan Party is contesting the amount or validity thereof by appropriate proceedings diligently pursued and available to such Loan Party, and with respect to which adequate reserves (to the extent required in accordance with ASPE) have been set aside on its books; (d) purchase money indebtedness (including capital leases) to the extent not incurred or secured by Security Interests (including capital leases) in violation of any other provision of the Loan Documents, or if such purchase money indebtedness (including capital leases) is secured, such indebtedness does not exceed in aggregate \$100,000 Cdn;
- (zz) "**Permitted Disposition**" means:

- (i) sales or dispositions of Inventory in the ordinary course of business;
 - (ii) a sale or disposition in the ordinary course of business and in accordance with sound industry practice of property that is obsolete, no longer used or useful for its intended purpose or is being replaced in the ordinary course of business;
 - (iii) disposals of assets between Loan Parties;
 - (iv) disposals of defaulted Accounts in order to realize on them in a commercially responsible manner; or
 - (v) sales, exchanges and other dispositions of short term investments in securities in the ordinary course of business;
- (aaa) **"Permitted Liens"** means (a) Security Interests of the Lender under or pursuant to this Agreement and any other Loan Agreement; (b) Security Interests securing the payment of Taxes, either not yet overdue or the validity of which are being contested by appropriate proceedings diligently pursued and available to a Loan Party and with respect to which adequate reserves (to the extent required in accordance with ASPE) have been set aside on its books; (c) non-consensual statutory deemed trusts and Security Interests (other than Security Interests securing the payment of Taxes) arising in the ordinary course of a Loan Party's business to the extent: (i) such Security Interests secure indebtedness which is not overdue or the validity of which is being contested by appropriate proceedings diligently pursued and available to a Loan Party and with respect to which adequate reserves (to the extent required in accordance with ASPE) have been set aside in its books or (ii) such Security Interests secure indebtedness relating to claims or liabilities which are fully insured and being defended at the sole cost and expense and at the sole risk of the insurer or being contested by appropriate proceedings diligently pursued and available to a Loan Party, in each case prior to the commencement of foreclosure or other similar proceedings and with respect to which adequate reserves (to the extent required in accordance with ASPE) have been set aside on its books; (d) zoning restrictions, easements, minor title defects, encumbrances, licenses, covenants, rights reserved by Governmental Authorities, reservations of the Crown and other restrictions affecting the use of real property which do not interfere in any material respect with the ordinary conduct of the business of a Loan Party; (e) purchase money security interests in personal property (including capital leases) not to exceed \$100,000 in the aggregate at any time outstanding so long as such Security Interests do not apply to any property of a Loan Party other than the personal property so acquired, any insurance related thereto and proceeds thereof and the indebtedness secured thereby does not exceed the cost of the personal property or real estate so acquired, as the case may be; (f) Security Interests over cash and/or investments permitted by this Agreement; (g) Security Interests given by a Loan Party to a surety pursuant to a surety bond or indemnity agreement but only to the extent that such security secures indebtedness that only relates to a bond or indemnity agreement issued by a surety for a project and such security is limited to the specific assets of such project over assets that do not constitute Collateral; (h) any carrier's, warehousemen's, mechanic's and construction and other Security Interests arising by contract or operation of Applicable Law in the ordinary course of a Loan Party's business in respect of obligations which are not overdue for a period in excess of thirty (30) days or which are being contested by appropriate proceedings diligently pursued; (i) deposits of cash or securities in connection with any appeal, review or contestation of any security or Security Interest and any bonding arrangements made in the ordinary course of business to secure the performance of bids, tenders, contracts, leases, customs duties and other similar obligations; (j) banker's Security Interests, rights of combination of accounts or similar rights in the ordinary course of conducting day-to-day banking business in relation to deposit accounts or other funds maintained with a creditor depository institution; (k) the reversionary interests of landlords under operating leases of real property and the tenancy rights of tenants under operating leases of real property; (l) Security Interests in favour of securities intermediaries and clearing agencies relating to the operation of securities accounts and security entitlements credited thereto arising in the ordinary course of maintaining such securities accounts and acquiring, owning or disposing such security entitlements; (m) such other Security Interests securing such obligations as may be approved by the Lender from time to time; (n) Security Interests securing Permitted Debt; and (o) the replacement, extension, modification or renewal of any Security Interest referred to in

this definition upon or in respect of the same property arising out of the extension, renewal, modification or replacement of the indebtedness secured thereby (without increase in the amount thereof), provided that the Lender may contest improperly registered security interests or liens in the event such registered creditors attempt to realize on their security;

- (bbb) "**Person**" or "**person**" shall mean any individual, sole proprietorship, partnership, limited partnership, corporation, limited liability company, unlimited liability company, business trust, unincorporated association, joint stock corporation, trust, joint venture or other entity or any Governmental Agency, as applicable;
- (ccc) "**PPSA**" shall mean the *Personal Property Security Act* (Alberta), as amended, supplemented, restated and superseded, in whole or in part, from time to time, provided that, if the attachment, perfection or priority of the Lender's security in respect of any Collateral is governed by the laws of any jurisdiction other than Alberta, PPSA shall mean those other laws for the purposes hereof relating to such attachment, perfection or priority;
- (ddd) "**Prepayment Date**" means the date that is 60 days following the Closing Date;
- (eee) "**Prepayment Notice**" means an irrevocable written notice by the Borrower to the Lender of its desire to make a prepayment in accordance with the terms of the this Agreement, and indicating the amount of such prepayment;
- (fff) "**Real Property**" means any freehold or other interest in real and immovable property owned or leased by any Loan Party in connection with the operation of the Business or otherwise from time to time, including all plants, buildings, parking lots, roadways, structures, improvements, fixed machinery or equipment and fixtures situate on, or forming part of, such lands and premises, all as described in Exhibit C hereto;
- (ggg) "**Receiver**" shall have the meaning ascribed thereto in Section 8.2(d);
- (hhh) "**Records**" shall mean each Loan Party's present and future books of account of every kind or nature, purchase and sale agreements, invoices, ledger cards, bills of lading and other shipping evidence, statements, correspondence, memoranda, credit files and other data relating to the Collateral or any account debtor, together with the tapes, disks, diskettes and other data and software storage media and devices, file cabinets or containers in or on which the foregoing are stored (including any rights of the applicable Loan Party with respect to the foregoing maintained with or by any other Person);
- (iii) "**Regulatory Approval**" means all the approvals, consents, rulings, authorizations, notices, permits or acknowledgements that are required from any Person pursuant to Applicable Law or under the terms of any License or the conditions of any order in connection with the carrying on of Business by the Loan Parties as it is presently conducted or as may be properly conducted at the relevant time;
- (jjj) "**Related Parties**" means, with respect to any Person, such Person's Affiliates and the directors, shareholders, partners and senior officers of such Person and the Affiliates thereof, as well as any person which is not at Arm's-Length from a Loan Party, and "**Related Party**" means any one of them;
- (kkk) "**Restricted Payment**" means:
 - (i) the declaration, payment or setting aside for payment of any dividend or other distribution on or in respect of any shares in the capital of the Borrower or any other Loan Party (including distributions of interest on preferred shares and any return of capital on shares of any class);
 - (ii) the redemption, retraction, purchase, retirement or other acquisition, in whole or in part, of any shares in the capital of the Borrower or any other Loan Party, or any securities, instruments or contractual rights capable of being converted into, exchanged or exercised for shares in the capital thereof, including, without limitation, options, warrants, conversion or exchange privileges and similar rights;

- (iii) except as otherwise expressly permitted in this Agreement, the making of any loan or advance or any other provision of credit or financial assistance by the Borrower or any other Loan Party to any Related Party;
- (iv) the repurchase or payment of any principal, interest, fees or other amounts on or in respect of any loans, advances or other Debt owing at any time by the Borrower or any other Loan Party to any Related Party, other than to the Borrower or a Loan Party;
- (v) (i) the payment of any amount, (ii) the sale, transfer, lease or other disposition of any assets, or (iii) any granting or creation of any rights or interests, at any time, by the Borrower or another Loan Party to or in favour of any Related Party, other than to the Borrower or another Loan Party, except reasonable compensation to officers, employees and directors for services rendered to a Loan Party in the ordinary course of business;
- (vi) the payment of any compensation, management, consulting or similar fee or any bonus payment or comparable payment, or by way of gift or other gratuity, to any Related Party of such person, except reasonable compensation to officers, employees and directors for services rendered to a Loan Party in the ordinary course of business; or
- (vii) payment for the purpose of setting apart any property for a sinking, defeasance or other analogous fund for any of the payments referenced above,

and whether any of the foregoing is made, paid or satisfied in or for cash, property or any combination thereof;

- (III) "**Sale of the Borrower**" means the sale to a third party:
 - (i) by the Borrower of 50% or more, calculated by and according to the then Fair Market Value, of the assets of the Borrower or any Affiliate or Subsidiary holding material assets; or
 - (ii) by any one or more of the shareholders of the Borrower of 50% or more (by votes) of the voting shares of the Borrower; or
 - (iii) by the Borrower of 50% or more (by votes) of the voting shares of any of its Subsidiaries;
- (mmm) "**Security**" means, collectively, the General Security Agreements, pledge agreements, guarantees, assignments and other security agreements, instruments and documents executed and delivered, or required to be executed and delivered, by the Borrower and each other Loan Party under and pursuant to this Agreement, in each case, with such modifications and insertions as may be required by the Lender, acting reasonably;
- (nnn) "**Security Interest**" means mortgages, charges, pledges, hypothecs, assignments by way of security, conditional sales or other title retentions, Security Interests, encumbrances, security interests or other interests in property, howsoever created or arising, whether fixed or floating, perfected or not, which secure payment or performance of an obligation and, including, in any event:
 - (i) deposits or transfers of cash, marketable securities or other financial assets under any agreement or arrangement whereby such cash, securities or assets may be withdrawn, returned or transferred only upon fulfilment of any condition as to the discharge of any other indebtedness or other obligation to any creditor;
 - (ii) rights of set-off;
 - (iii) the rights of lessors under capital leases or loans, operating leases and any other lease financing; and
 - (iv) absolute assignments of accounts receivable;
- (ooo) "**Subsidiaries**" or "**Subsidiary**" shall mean, with respect to any Person, any corporation, partnership or other entity of which at least fifty (50%) percent of the securities or other ownership interests having by the terms thereof ordinary voting power to elect a majority of the board of directors or other persons performing similar functions of such corporation, partnership or other entity

(irrespective of whether or not at the time securities or other ownership interests of any other class or classes of such corporation, partnership or other entity shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned or controlled by such Person or one or more Subsidiaries of such Person. The Borrower has no Subsidiaries as at the Closing Date;

- (ppp) "**Taxes**" means all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed, levied, collected, withheld or assessed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto;
- (qqq) "**Voting Equity Interests**" means capital stock of any class of any corporation or other Equity Interests of any other person which carries voting rights to elect the board of directors (or in respect of a person other than a corporation, other persons performing similar functions, including the control, management or direction of such person) under any circumstances.

1.2 Interpretation

All terms used herein which are defined in the PPSA shall, to the extent the context so admits, have the meanings given therein unless otherwise defined in this Agreement. All references to the plural herein shall also mean the singular and to the singular shall also mean the plural unless the context otherwise requires. All references to the Loan Parties and the Lender pursuant to the definitions set forth in the recitals hereto, or to any other Person herein, shall include their respective successors and assigns. The words "hereof", "herein", "hereunder", "this Agreement" and words of similar import when used in this Agreement (including the Exhibits or Schedules hereto) shall refer to this Agreement as a whole and not any particular provision of this Agreement and as this Agreement now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced. The word "including" when used in this Agreement shall mean "including, without limitation". References herein to any statute or any provision thereof include such statute or provision as amended, revised, re-enacted and/or consolidated from time to time and any successor statute thereto. An Event of Default shall exist or continue or be continuing until such Event of Default is waived in accordance with Section 10.3 or is cured to the satisfaction of the Lender, if such Event of Default is capable of being cured as determined by the Lender. Any accounting term used herein unless otherwise defined in this Agreement shall, unless the context otherwise requires, have the meanings customarily given to such term in accordance with ASPE. Canadian Dollars and the sign "\$" mean lawful currency of Canada. All monetary amounts referred to in this Agreement are in Canadian Dollars unless otherwise stated.

ARTICLE 2 - LOAN, INTEREST AND FEES

2.1 The Loan

Subject to fulfilment of each of the conditions precedent set out in Section 3.1 hereof, the Lender has agreed to extend to the Borrower a term loan in an aggregate face value principal amount of Two Million United States dollars (USD\$2,000,000). 75% of the Loan shall be advanced to the Borrower by the Lender in full on the Closing Date. Net proceeds of the Loan, after deducting issue expenses, shall be used by the Borrower for the following as listed below (all funds listed in USD), and for no other purpose without the prior written consent of the Lender.

TOTAL USE OF NET PROCEEDS \$1,500,000 USD

- **One 25,000 bpd WMS + ONE WFRD Desal = \$1,100,000 US EXW Manufacturer**
 - **PLUS TWO Micro-Commercial Systems**
- **Site Acceptance Test and Client Training = \$25,000 US per WMS + Desal = \$100,000 US**
- **THREE months chemicals WMS = bbl (85% utilization \$0.20/bbl) = \$200,000 USD**
- **Back-Flushable Filter = \$50,000 USD**
- **All duties, custom brokerage and contingency = \$50,000 US**

2.2 Promise to Pay

For value received, the Borrower hereby promises that it shall repay the Outstanding Principal Obligations and all interest and other amounts that may become due and owing to the Lender pursuant to the terms set out in this Agreement.

2.3 Repayment of Loan

(a) Principal

- (i) Subject to the provisions of this Agreement, the Outstanding Principal Obligations shall be repaid to the Lender in full on the Maturity Date.
- (ii) In addition, all accrued and unpaid interest on the Outstanding Principal Obligations and all fees and other amounts due and payable hereunder shall be repaid to the Lender on the Maturity Date.

(b) Interest

- (i) Subject to Section 2.8, the Borrower agrees that interest shall accrue and be calculated and paid quarterly in advance on the Outstanding Principal Obligations at the Interest Rate, on each of **January 1st, April 1st, July 1st and October 1st** of each calendar year, or if such day is not a Business Day, the first Business Day of such month (each an "**Interest Payment Date**"), commencing on the Closing Date and up to and including the Maturity Date and, both before and after demand and before and after default, judgment and execution from the date thereof until payment in full of all amounts owing to the Lender hereunder have been paid in accordance with terms of Section 2.3(a) hereof. The first interest payment shall be made on the Closing Date (and may be deducted by the Lender from the first advance of the Loan) and shall include all interest payable from the date of advance up to and including the first Interest Payment Date. Interest shall be paid in advance on a **quarterly** basis thereafter.
- (ii) Notwithstanding any other provision of this Agreement, if all or any portion of any amount due hereunder (including any amounts of principal or interest, and any fee or other amount payable) is not paid when due, whether at stated maturity, by acceleration or otherwise, the Borrower shall pay interest on such overdue amount (including interest on interest) at the Interest Rate if, and to the fullest extent, permitted by Applicable Law, from the date that such amount is due until the date that such amount is paid in full (but excluding the date of such payment if the payment is made before 1:00 p.m. (Calgary time) to the Lender on the date of such payment).

2.4 Payments by the Borrower

Any payment by the Borrower on account of any amount due and payable by it hereunder, whether on account of principal, interest, premiums, fees, costs and expenses or otherwise, shall be made by the Borrower to the Lender and no such payment by the Borrower shall be effective until such time as it is received by the Lender. Whenever any payment hereunder shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of interest or fees, as the case may be, payable on such date. All payments to be made by the Borrower to the Lender shall be in immediately available funds and received by the Lender no later than 1:00 p.m. (MST) on the date of payment in order to obtain same day credit. Any such payment so received after such time on such date shall be deemed to have been paid on, and shall be credited on the next following Business Day. Any interest on any portion of the Loan which is not paid when due shall bear interest as if such unpaid interest was an unpaid principal amount under the Loan. All payments received by the Lender shall be applied by the Lender to pay, in reverse order of maturity, all interest on overdue interest, all interest payments due and owing and Outstanding Principal Obligations, in that order.

2.5 Optional Prepayment

- (a) The Borrower may not prepay any amounts under this Agreement prior to the Prepayment Date.
- (b) On the Prepayment Date, the Borrower shall have the right, when not in default under this Agreement, to prepay the then Outstanding Principal Obligations and all capitalized, accrued and unpaid interest thereon up to the date of prepayment, provided the Borrower delivers to the Lender a Prepayment Notice at least five (5) Business Days prior to the Prepayment Date.
- (c) Any repayments under this paragraph shall be applied by the Lender to prepay, in reverse order of maturity, all interest on overdue interest, all accrued interest, whether or not due, all interest payments due and owing, all Outstanding Principal Obligations, in that order.

- (d) The notice provisions and provisions as to application of prepayment monies in reverse order of maturity as set out in this Section 2.5 shall also apply *mutatis mutandis* to partial prepayments.

2.6 Mandatory Prepayment

At the option of the Lender, any proceeds from or attributable to any Sale of the Borrower shall, unless the Lender otherwise agrees, be applied by the Borrower (or Lender), as applicable, to prepay any capitalized, accrued and unpaid interest and the then Outstanding Principal Obligations, in that order.

2.7 Advance of Loan

The Borrower agrees that neither the execution, nor registration, of any of the Security, nor the advancing in part of the Loan, shall bind the Lender to advance the Loan or any un-advanced portion thereof. The advance of the Loan or any part thereof shall be in the sole discretion of the Lender.

2.8 Interest and Loan Charges Not to Exceed Maximum Allowed by Law

Notwithstanding any other provision of this Agreement or any of the Loan Documents, in no event shall the aggregate "interest" (as that term is defined in Section 347 of the *Criminal Code* (Canada)) received by or payable to the Lender in connection with the transactions contemplated in this Agreement and the Loan Documents, exceed the effective annual rate of interest on the "credit advanced" (as defined therein) lawfully permitted under that section. The effective annual rate of interest shall be determined in accordance with generally accepted accounting practices and principles over the term that the principal amount of the Loan is outstanding and in the event of a dispute, a certificate of a Fellow of the Canadian Institute of Actuary appointed by the Lender shall be conclusive for the purposes of such determination. The parties hereto do not intend that the aggregate interest payable in connection with the transactions contemplated under the Loan Documents shall exceed such lawfully permitted rate or amount. Notwithstanding anything to the contrary herein contained, if the aggregate interest payable hereunder exceeds such lawfully permitted rate or amount, the rate and the amount of interest on the principal hereof shall be deemed to have been adjusted with retroactive effect to the maximum rate and amount permitted by law, such adjustment to be effected, to the extent necessary (but only to the extent necessary), as follows: first, by reducing the amount or rate of interest, and, thereafter, by reducing any fees, commissions, expenses, premiums and other amounts required to be paid to the Lender which would constitute "interest" (as that term is defined in Section 347 of the *Criminal Code* (Canada)). Further, the Lender shall be entitled to defer the timing of receipt or vary the manner of payment of any interest or amounts paid or payable to the Lender in connection with the transactions contemplated hereunder or thereunder, or to otherwise vary the terms pursuant to which such interest or any portion thereof or any other amount shall be paid to the Lender so that such payment shall not be in violation of Applicable Law. If such payments, regardless of timing, are determined to be contrary to the provisions of Section 347 of the *Criminal Code* (Canada), such payment, collection or demand shall be deemed to have been made by mutual mistake of the Borrower and the Lender and the amount of such payment or collection shall be refunded to the Borrower.

2.9 Interest Act (Canada)

Whenever a rate of interest or other rate per annum hereunder is calculated 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 or other rate shall be expressed as a yearly rate for purposes of the *Interest Act* (Canada) by multiplying such rate of interest or other rate by the actual number of days in the calendar year of calculation and dividing it by the number of days in the deemed year.

Whenever a rate of interest or other rate per annum hereunder is expressed or calculated on the basis of a year of 360 days, such rate of interest or other rate shall be expressed as a rate per annum, calculated on the basis of a 365 day year, by multiplying such rate of interest or other rate by 365 and dividing it by 360.

2.10 Nominal Rates; No Deemed Reinvestment

The principle of deemed reinvestment of interest shall not apply to any interest calculation under this Agreement. All interest payments to be made hereunder shall be paid without allowance or deduction for deemed reinvestment or otherwise, before and after maturity, default and judgment. The rates of interest specified in this Agreement are intended to be nominal rates and not effective rates. Interest calculated hereunder shall be calculated using the nominal rate method and not the effective rate method of calculation.

2.11 Waiver

To the extent permitted by Applicable Law, the covenant of the Borrower to pay interest at the rates provided herein shall not merge in any judgment relating to any obligation of the Borrower to the Lender and any provision of the *Interest Act* (Canada) which restricts any rate of interest set forth herein shall be inapplicable to this Agreement and is hereby waived by the Borrower.

ARTICLE 3 - CONDITIONS PRECEDENT

3.1 Conditions Precedent to Loan

Each of the following is a condition precedent to the Lender making the Loan hereunder:

- (a) the Lender shall have completed, and be satisfied with, in its sole discretion, its due diligence review with respect to the Borrower and other Loan Parties, such due diligence review to include access to any auditors, consultants or other professionals engaged by the Borrower or any other Loan Party;
- (b) this Agreement and all other Loan Documents and such other documents, agreements, instruments and certificates relating to the Loan Parties as the Lender reasonably requires, shall have been duly executed and delivered by all parties thereto, to the Lender, in form and substance satisfactory to the Lender;
- (c) the Lender shall have received evidence in form and substance satisfactory to the Lender, that the Lender has valid registered, perfected Security Interests upon the Collateral and any other property which is intended to be security for the Obligations or the liability of any Loan Party in respect thereof, in such priority as agreed by the Lender, subject only to Permitted Liens;
- (d) all requisite corporate action and proceedings in connection with this Agreement and the other Loan Documents shall be satisfactory in form and substance to the Lender, and the Lender shall have received all information and copies of all documents, including, without limitation, certificates of incumbency of each of the Loan Parties, records of requisite corporate action and proceedings which the Lender may have requested in connection therewith (including but not limited to approval of the Loan Documents and the securities to be issued upon conversion of this Agreement), such documents where requested by the Lender or its counsel to be certified by appropriate corporate officers or Governmental Authorities;
- (e) no Material Adverse Change shall have occurred since September 30, 2020;
- (f) the Lender shall have received and be satisfied with any shareholders' agreements, voting trust agreements, joint venture agreements, partnership agreements or any similar type agreements relating to the Loan Parties, if any;
- (g) the Lender shall be satisfied with and shall have reviewed and approved copies of all existing and proposed Material Contracts;
- (h) evidence of EDC insurance over the Borrower's receivables in the minimum amount of \$2,000,000 USD, and evidence of assignment of same to and in favor of Lender, on terms acceptable to the Lender;
- (i) the Lender shall have received, in form and substance satisfactory to the Lender in its sole discretion, the most recent financial data of the Borrower and the other Loan Parties, as applicable and required by the Lender;
- (j) the Lender shall have received, in form and substance satisfactory to the Lender, all consents, waivers, acknowledgments and other agreements from third Persons which the Lender may deem necessary or desirable, in order to permit, protect and perfect its Security Interests upon the Collateral or to effectuate the provisions or purposes of this Agreement and the other Loan Documents;
- (k) the Lender shall have received evidence of insurance and loss payee endorsements required hereunder and under the other Loan Documents, in form and substance satisfactory to the Lender, and certificates of insurance policies and/or endorsements naming the Lender as loss payee and additional insured, as applicable;

- (l) the Lender shall have received, in form and substance satisfactory to the Lender, such opinion letters of counsel to the Borrower and the Loan Parties with respect to the Loan Documents and such other matters as the Lender may request;
- (m) all representations and warranties contained herein and in the other Loan Documents shall be true and correct in all material respects with the same effect as though such representations and warranties had been made on and as of the date of the making of the Loan and after giving effect thereto; and
- (n) no Event of Default shall exist or have occurred and be continuing on and as of the date of the making of any advance of the Loan and after giving effect thereto.

ARTICLE 4 - COLLATERAL REPORTING AND COVENANTS

4.1 Verification of Collateral

The Lender or a Receiver authorized by the Lender, shall have the right, from time to time, so long as there are any outstanding Obligations, to verify the existence, state and value of the Accounts and Inventory and the Records, systems and business in general of the Borrower, in any manner the Lender may, acting reasonably, consider appropriate.

ARTICLE 5 - SECURITY

5.1 Security

The Borrower and each Loan Party shall execute and deliver the Security to which it is a party. In addition, the Borrower and each Loan Party shall execute and deliver, or shall cause to be executed and delivered, all such guarantees and mortgages, assignments and other agreements and instruments as may be required by the Lender, acting reasonably (each in form and substance satisfactory to the Lender, acting reasonably) in order to, or to more effectively, charge in favour of the Lender, grant or perfect Security Interests in favour of the Lender in, to and against all present and future real and personal property, assets and undertakings of the Borrower or a Loan Party as continuing collateral security for the payment and performance by the Borrower of all Obligations.

5.2 Registration

The Lender shall, at the Borrower's expense, register, file or record the Security in all offices where such registration, filing or recording is necessary or of advantage to the creation, perfection and preserving of the security applicable to it. The Lender (or the Borrower on request of the Lender) shall amend and renew such registrations, filings and recordings from time to time as and when required to keep them in full force and effect or to preserve the priority established by any prior registration, filing or recording thereof and promptly furnish to the Lender proof of the foregoing.

5.3 Forms

The forms of Security shall have been or be prepared based upon the laws of Canada and the laws of the relevant Provinces or such other Applicable Laws as the Lender and its counsel has determined, in each case, in effect at the date hereof. The Lender shall have the right to require that:

- (a) any such Security be amended to reflect any changes in such laws, whether arising as a result of statutory amendments, court decisions or otherwise, in order to confer upon the Lender the Security Interests intended to be created thereby; and
- (b) the Borrower and any other Loan Parties execute and deliver to the Lender such other and further mortgages, trust deeds, assignments and security agreements as may be reasonably required to ensure that the Lender holds, subject to Permitted Liens, its' priority and perfected Security Interests on and against all present and future property, assets and undertakings of the Borrower and the other Loan Parties;

except that in no event shall the Lender require that the foregoing be effected if the result thereof would be to grant the Lender greater rights than is otherwise contemplated herein or therein.

5.4 Continuing Security

Each item or part of the Security shall for all purposes be treated as a separate and continuing collateral security and shall be deemed to have been given in addition to and not in place of any other item or part of the Security or any other security now held or hereafter acquired by the Lender. No item or part of the Security shall be merged or be deemed to have been merged in or by this Agreement or any documents, instruments or acknowledgements delivered hereunder, or any simple contract debt or any judgment, and any realization of or steps taken under or pursuant to any security, instrument or agreement shall be independent of and not create a merger with any other right available to the Lender under any security, instruments or agreements held by it or at law or in equity.

5.5 Dealing with Security

The Lender may grant extensions of time or other indulgences, take and give up securities (including the Security or any part or parts thereof), accept compositions, grant releases and discharges and otherwise deal with the Borrower, the Loan Parties, and other parties and with security (including without limitation, the Security and each part thereof) as the Lender may see fit, without prejudice to or in any way limiting the liability of the Borrower or a Loan Party or any of their respective Subsidiaries under this Agreement or the other Loan Documents or under any of the Security or any other collateral security.

5.6 Discharge and Release of Security

Subject to the following sentence, the Loan Parties, or any of them, shall not be discharged from the Security or any part thereof except pursuant to a written release and discharge or other document to like effect signed by the Lender. If any Loan Party transfers any Collateral in any manner not prohibited by this Agreement or the other Loan Documents, such Loan Party shall be entitled to obtain a release and discharge of the Security with respect to such Collateral. If a Loan Party creates or permits to subsist a lien or security interest referred to in paragraphs (e), (f) or (g) of the definition of Permitted Lien, such Loan Party shall be entitled to obtain a subordination of the Lender's Security Interests to the property subject to such Permitted Lien.

Following all of the outstanding Obligations having been permanently repaid, paid, satisfied and discharged in full and the Loan having been fully, permanently and irrevocably cancelled, the interest of the Lender in the Security shall be released and discharged.

ARTICLE 6 - REPRESENTATIONS AND WARRANTIES

6.1 Representations and Warranties

To induce the Lender to enter into this Agreement, the Borrower and each Loan Party hereby represents and warrants to the Lender as follows, and each acknowledge and agree that the Lender is relying upon the representations and warranties and the truth and accuracy thereof, as a continuing condition of the making and continuance of the Loan by the Lender to the Borrower:

- (a) **Organization; Powers.** The Borrower and each other Loan Party is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now and formerly conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required.
- (b) **Authorization; Enforceability.** The transactions contemplated by the Loan Documents are within each Loan Party's corporate powers and have been duly authorized by all necessary corporate and, if required, shareholder action. This Agreement and the other Loan Documents have been duly executed and delivered by the Borrower and each other Loan Party thereto and constitute legal, valid and binding obligations of the Borrower and each other Loan Party thereto, enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganisation, moratorium or other Applicable Laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.
- (c) **Approvals; No Conflicts.** The transactions contemplated by the Loan Documents: (a) do not require any consent or approval of, registration or filing with, notice to be provided to, or any other action by, any Governmental Authority; (b) do not require any consent or approval of, registration or filing with, notice to be provided to, or any other action by, any party to a License or Regulatory Approval

granted to any Loan Party to avoid the breaching of or loss of such License or Regulatory Approval; (c) will not violate any Applicable Law or the charter, by-laws or other organizational documents of the Borrower or any other Loan Party or any order of any Governmental Authority; and (d) will not result in the creation or imposition of any Security Interest on any assets or undertakings of the Borrower or any other Loan Party, except for any Security Interest arising in favour of the Lender under the Loan Documents.

- (d) **Litigation.** Except as set forth in 0, there are no actions, suits, counterclaims or proceedings (including any tax-related matter) by any Person or investigation by any Governmental Authority pending against or, to the Knowledge of the Borrower, threatened against or affecting the Borrower or any of the other Loan Parties: (i) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect; or (ii) that involve this Agreement, any other Loan Agreement, or the transactions contemplated herein or therein.
- (e) **Compliance with Applicable Laws.** The Borrower and each Loan Party is in compliance with all Applicable Law, except to the extent failure to so comply would not reasonably be expected to have a Material Adverse Effect.
- (f) **Taxes.** The Borrower and each other Loan Party has timely filed or caused to be filed all tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it (including all instalments with respect to the current period) and has made adequate provision for Taxes for the current period, except Taxes that are being contested in good faith by appropriate proceedings and for which the Borrower or such other Loan Party, as applicable, has set aside on its books adequate reserves.
- (g) **Title to Personal Property.** The Borrower and each other Loan Party have title to their respective owned personal properties, and with respect to leased personal properties, title to the leasehold estate with respect thereto, pursuant to valid and enforceable leases, free and clear of all Security Interests except Permitted Liens.
- (h) **Subsidiaries.** No Loan Party has any Subsidiaries or Affiliates except as set forth in Exhibit D.
- (i) **Share Capital and Organizational Matters.** The issued and outstanding share capital of the Loan Parties is detailed accurately in Exhibit D, and other than those rights granted to the Lender pursuant to this Agreement, there exist no other rights, options or entitlements of any Person to acquire any shares, warrants, options or other rights in the capital stock of the Loan Parties. All shareholders owning, directly or indirectly, issued and outstanding shares of the Loan Parties are listed in Exhibit D. None of the Loan Parties are subject to any obligation (contingent or otherwise) to repurchase, redeem, retire or otherwise acquire any of its issued securities or any warrants, options or other rights to acquire its securities other than as set forth in as Exhibit D. As of the date hereof, all of the outstanding securities of the Loan Parties are validly issued, fully paid and non-assessable. Except as set forth in Exhibit D, there are no statutory or contractual pre-emptive rights, rights of first refusal, anti-dilution rights or any similar rights held by security holders of any Loan Party. None of the Loan Parties have violated any applicable securities laws in connection with the offer, sale or issuance of any of its securities. There are no agreements among shareholders of the Loan Parties with respect to any other aspects of the Loan Parties' affairs, other than the agreements described in Exhibit D. There is no agreement, option, understanding or commitment, or any right or privilege capable of becoming an agreement, for the purchase from the Loan Parties of any of their respective securities other than those set forth in as Exhibit D. There are no other provisions in the Articles, By-laws or any other agreement affecting the Borrower or any Loan Party requiring any vote or consent of the shareholders of any Loan Party to borrow money or to authorize the mortgage or pledge of or creation of any other Security Interest in any of its assets or undertakings, or to provide any guarantee contemplated hereunder, except the agreements described in Exhibit E. Such power is vested exclusively in the board of directors of each Loan Party.
- (j) **Financial Statements; No Material Adverse Change.** All financial statements relating to each Loan Party which have been or may hereafter be delivered by a Loan Party to the Lender have been prepared in accordance with ASPE and fairly present the financial condition and the results of

operations of such Loan Party as at the dates and for the periods set forth therein. Except as disclosed in any interim financial statements furnished by a Loan Party to the Lender prior to the date of this Agreement, there has been no Material Adverse Change affecting any of the Loan Parties since the date of the most recent audited financial statements furnished by such Loan Party to the Lender prior to the date of this Agreement. There are not and there have not been, any off-balance sheet transactions or transactions between any of the Borrower and any member of the Loan Parties or its Affiliates that are not otherwise reflected in the annual financial statements and the interim financial statements thereof, as applicable.

Since September 30, 2020, there has been no event, development or circumstance that has had or could reasonably be expected to have a Material Adverse Effect.

- (k) **Chief Executive Office; Collateral Locations.** The chief executive office and head office of each Loan Party including each Loan Party's Records concerning Accounts are located only at the addresses set forth in 0 hereto and their only other places of business and the only other locations of Collateral, if any, are the addresses set forth in 0, subject to the right of the Borrower to update the 0 accordingly. 0 correctly identifies any of such locations which are not owned by a Loan Party and sets forth the owners and/or operators thereof.
- (l) **Real Property.** Exhibit C sets out the legal descriptions and municipal addresses of all Real Property owned or leased by the Borrower and any other Loan Party, and includes a general description of the material operations taking place on each such property. None of the Loan Parties has any option to acquire or lease, nor have any of them agreed to purchase or lease any other real property or interest in real property, other than the Real Property. With respect to the Real Property, to the Knowledge of the Borrower, or to the knowledge of the applicable Loan Party, after reasonable inquiry, as it relates to such Loan Party's Real Property:
- (i) there are no outstanding work orders or other requirements in respect of such property imposed by any Governmental Authority which impose a material obligation on the owner of the Real Property;
 - (ii) the uses to which all Real Property have been and are being put by the Borrower or the Loan Parties, as the case may be, is not in breach of any Applicable Law or any private agreement;
 - (iii) none of the buildings, structures or improvements located on any of the Real Property (or any equipment thereon) nor the operation or maintenance thereof, violates any restrictive covenant or any provision of any federal, provincial, state or municipal law, ordinance, rule or regulation, or encroaches on any property owned by others;
 - (iv) no notice has been received of any material by-law or regulatory change affecting any of the Real Property or relating to any threatened or pending condemnation or expropriation thereof;
 - (v) each Real Property and all buildings, structures and improvements situated thereon and all systems therein and facilities and accessories and installations related thereto are in a good state of maintenance and repair, having regard to their age, which make them suitable for the purposes for which they are currently being used and each such property is serviced by all required public utility services; and
 - (vi) there is adequate ingress and egress to and from each Real Property, to and from the public roads abutting or adjacent thereto for the operation of the business of the Borrower or the Loan Parties, as the case may be, in the ordinary course.

The Borrower and each other Loan Party have indefeasible fee simple title to their respective owned real properties, and with respect to leased real properties, indefeasible title to the leasehold estate with respect thereto, pursuant to valid and enforceable leases, free and clear of all Security Interests except Permitted Liens.

- (m) **Priority of Security Interests; Title to Properties.** The Security Interests granted to the Lender under this Agreement and the other Loan Documents constitute valid and perfected Security Interests in and upon the Collateral, subject only to Permitted Liens. Each of the Loan Parties has good and marketable title to all of their respective properties and assets, including but not limited to the Collateral, subject only to Permitted Liens. Each of the Loan Parties, as applicable, have full right, power and authority to grant Security Interests against the Collateral as set forth in the Loan Documents.
- (n) **Tax Returns.** Each Loan Party has filed, or caused to be filed, in a timely manner all material tax returns, reports and declarations which are required to be filed by it (without requests for extension except as previously disclosed in writing to the Lender). All information in such tax returns, reports and declarations is complete and accurate in all material respects. Each Loan Party has paid or caused to be paid all Taxes due and payable or claimed due and payable in any assessment received by it, except to an extent which would not reasonably be expected to have a Material Adverse Effect and Taxes, the validity of which are being contested by appropriate proceedings diligently pursued and available to such Loan Party and with respect to which adequate reserves have been set aside on its books (to the extent required by ASPE). Adequate provision has been made for the payment of all accrued and unpaid federal, provincial, municipal, local, foreign and other Taxes whether or not yet due and payable and whether or not disputed.
- (o) **Employees.** None of the Loan Parties are a party to any collective bargaining agreement, contract or legally binding commitment to any trade union or employee organization or group in respect of or affecting employees of any Loan Party. None of the Loan Parties are currently engaged in any labour negotiation. To the Knowledge of the Borrower, and to the knowledge of the applicable Loan Party, no Loan Party is a party to any application, complaint or other proceeding under any employment statute. No Loan Party is engaged in any unfair or unlawful labour practice and to the Knowledge of the Borrower, and to the knowledge of the applicable Loan Party, none of the Loan Parties are aware of any pending or threatened complaint regarding any unfair labour practices. There is no strike, labour dispute, work slowdown or stoppage pending or threatened against any Loan Party. None of the Loan Parties experienced any work stoppage. To the Knowledge of the Borrower, and to the knowledge of the applicable Loan Party, no Loan Party is the subject of any union organization effort.
- (p) **Material Contracts.** All of the Material Contracts to which any Loan Party is a party are listed in Exhibit E.
- Each of the Material Contracts has been validly authorized, executed and delivered by the relevant Loan Party thereto and, to the Knowledge of the Borrower, and the knowledge of the applicable Loan Party, by all other parties to them, and constitute legal, valid and binding obligations enforceable in accordance with their terms against the relevant Loan Parties, and against all other parties to them. Except as disclosed in Exhibit E, each of the Material Contracts is in full force and effect without amendment, and there has been no material default under any of them by the Loan Parties or, to the Knowledge of the Borrower, and the knowledge of the applicable Loan Party, by any other party. Each Loan Party is in compliance with all the terms and conditions relating to the Material Contracts except where the failure to do so, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. No approval, notice to, or waiver from any other party to a Material Contract is required to be obtained or made by a Loan Party as a result of or in connection with the execution and delivery of, and performance by Loan Parties of its respective obligations under the Loan Documents, except for those identified in Exhibit E and which have been, or will be, obtained and delivered to Lender on or prior to the Closing Date, unless otherwise agreed to by the Lender.
- (q) **Status of Pension Plans.** None of the Loan Parties has established and nor do they administer any Pension Plans.
- (r) **Environmental Compliance.** Except as set forth in Exhibit H hereto:
- (i) no Loan Party has generated, used, stored, treated, transported, manufactured, handled, produced or disposed of any Hazardous Materials, on or off its premises (whether or not

- owned by it) in any manner which at any time violates any applicable Environmental Law or any license, permit, certificate, approval or similar authorization thereunder which gives rise to a material liability on such Loan Party and the operations of each Loan Party comply in all material respects with all Environmental Laws and all licenses, permits, certificates, approvals and similar authorizations thereunder;
- (ii) there has been no investigation, proceeding, complaint, order, directive, claim, citation or notice by any Governmental Authority or any other person nor is any pending or, to the Knowledge of the Borrower, or to the knowledge of the applicable Loan Party, threatened, with respect to any non-compliance with or violation of the requirements of any Environmental Law by either a Loan Party or the release, spill or discharge, threatened or actual, of any Hazardous Material or the generation, use, storage, treatment, transportation, manufacture, handling, production or disposal of any Hazardous Materials or any other environmental, health or safety matter;
 - (iii) no Loan Party has any material liability (contingent or otherwise) in connection with a release, spill or discharge, threatened or actual, of any Hazardous Materials or the generation, use, storage, treatment, transportation, manufacture, handling, production or disposal of any Hazardous Materials; and
 - (iv) each Loan Party has all licenses, permits, certificates, approvals or similar authorizations required to be obtained or filed in connection with its operations under any Environmental Law and all of such licenses, permits, certificates, approvals or similar authorizations are valid and in full force and effect.
- (s) **Securities.** The securities issuable upon conversion of this Agreement, when issued, sold and delivered in compliance with the terms and for the consideration expressed in this Agreement, will be duly authorized and validly issued, exempt from the registration and prospectus requirements of all applicable securities laws, fully paid and non-assessable. The issuance or sale by the Borrower of the securities issuable upon conversion of this Agreement will not trigger any anti-dilution adjustments, other than any such adjustments as have been effectively waived in writing prior to the date hereof.
- (t) **Restrictions on Doing Business.** None of the Loan Parties is a party to or bound by any agreement which would restrict or limit its right to carry on any business or activity or to solicit business from any Person or in any geographical area or otherwise to conduct the business of the Loan Parties, as currently carried on or proposed to be carried on. No Loan Party has executed or is bound by any agreement which would impose any restriction or limitation on the right of any of them to carry on their business or which would result in a Material Adverse Effect. No Loan Party is subject to any legislation or any judgment, order or requirement of any Governmental Authority which is not of general application to persons carrying on a business similar to the business conducted by each of the Loan Parties.
- (u) **Intellectual Property.** None of the Loan Parties own or license any registered trademarks, industrial designs, patents, copyrights or other Intellectual Property except as set forth in Exhibit F. Except as disclosed in writing to the Lender, (a) each Loan Party is the sole and exclusive owner or licensee of, with all right, title and interest in and to (free and clear of any known claims by any Person), its Intellectual Property, and has sole and exclusive rights to the use thereof, (b) no Loan Party has knowingly infringed or violated and is not aware of any infringement or violation of any Intellectual Property or other proprietary rights of any other Person, and no Person has made any such claim, and (c) none of the Intellectual Property has been assigned or licensed to any other Person (excluding a Loan Party); except as set forth in Exhibit F.
- (v) **Regulatory Approvals.** To the Knowledge of the Borrower, and the knowledge of the applicable Loan Party, each Loan Party possesses all Regulatory Approvals required for the operation of the Business as currently conducted. Each Loan Party is conducting the Business in accordance with all terms and conditions of all Regulatory Approvals, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. All Regulatory Approvals are valid and are in full force and effect, no Loan Party is in violation of any term or

provision or requirement of any Regulatory Approval, and no Person has, to the Knowledge of the Borrower, and the knowledge of the applicable Loan Party, threatened to revoke, amend or impose any condition in respect of, or commenced proceedings to revoke, amend or impose conditions in respect of, any Regulatory Approval previously granted to any Loan Party. There are currently no outstanding Regulatory Approvals or matters related thereto in respect of any Loan Party or its Business that have not been resolved, or otherwise disclosed to the Lender.

- (w) **Licenses.** To the Knowledge of the Borrower, and the knowledge of the applicable Loan Party, each Loan Party possesses all Licenses required for the operation of the Business as currently conducted, and all such Licenses are held by the applicable Loan Party free and clear of any and all Security Interests. Each Loan Party is conducting the Business in accordance with all terms and conditions of the Licenses, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. All the Licenses are valid and are in full force and effect, no Loan Party is in violation of any term or provision or requirement of any License, and no Person has, to the Knowledge of the Borrower, and the knowledge of the applicable Loan Party, threatened to revoke, amend or impose any condition in respect of, or commenced proceedings to revoke, amend or impose conditions in respect of, any License.
- (x) **Accuracy and Completeness of Information.** All information furnished by or on behalf of the Loan Parties in writing to the Lender in connection with this Agreement or any of the other Loan Documents or any transaction contemplated hereby or thereby, including all information set forth in the Schedules and Exhibits hereto, is true and correct in all material respects on the date as of which such information is dated or certified and does not omit any material fact necessary in order to make such information not misleading. To the Knowledge of the Borrower, no event or circumstance has occurred which has had or could be expected to result in a Material Adverse Change, which has not been fully and accurately disclosed to Lender in writing.
- (y) **Full Disclosure.** None of the information and material delivered to the Lender by or on behalf of any of the Loan Parties contains any untrue statement of a material fact or has omitted a material fact necessary to make the statements contained therein not materially misleading, and all such statements, taken as a whole, together with this Agreement, do not contain any untrue statement of a material fact or omit a material fact necessary to make the statements contained herein or therein not materially misleading. There is no fact known to any Loan Party, which the Borrower has not disclosed in writing to the Lender which could be considered to have a Material Adverse Effect on any Loan Party or the ability of such Loan Party to perform its obligations under the Loan Documents.

6.2 Survival of Warranties; Cumulative

All representations and warranties contained in this Agreement or any of the other Loan Documents shall survive the execution and delivery of this Agreement and, to the extent applicable on such date, shall be deemed to have been made again to the Lender on the date of each advance of the Loan, additional borrowing or other credit accommodation hereunder and shall be conclusively presumed to have been relied on by the Lender regardless of any investigation made or information possessed by the Lender. The representations and warranties set forth herein shall be cumulative and in addition to any other representations or warranties which the Borrower or the other Loan Parties shall now or hereafter give, or cause to be given, to the Lender.

ARTICLE 7 - AFFIRMATIVE AND NEGATIVE COVENANTS

7.1 Maintenance of Existence and Business

Each Loan Party shall at all times preserve, renew and keep in full, force and effect its corporate existence, if applicable, and rights and franchises with respect thereto. Each Loan Party shall at all times maintain in full force and effect all permits, Licenses, trademarks, trade names, approvals, authorizations, leases and contracts necessary to carry on the Business as presently conducted.

7.2 Fundamental Changes.

- (a) No Loan Party will, without the prior written consent of the Lender, directly or indirectly, (i) merge into or amalgamate or consolidate with any other Person, or permit any other Person to merge into or amalgamate or consolidate with it; (ii) except for Permitted Dispositions, sell, assign, transfer,

lease, abandon or otherwise dispose of (in one transaction or in a series of transactions) all or substantially all of its assets, all or any of its shares or securities, any or all of its indebtedness, or all or any of the Equity Interests of any of its Subsidiaries (in each case, whether now owned or hereafter acquired); or (iii) form or acquire any Subsidiary, unless such Subsidiary becomes a Loan Party.

- (b) No Loan Party will change its name without providing not less than thirty (30) days' prior written notice of such name change to the Lender, which notice shall set forth such new name and Borrower shall deliver, or cause to be delivered, to Lender, a certified copy of the Certificate or Articles of Amendment of such Loan Party providing for such name change promptly following its filing.
- (c) No Loan Party will engage to any material extent in any business other than the Business and businesses reasonably related thereto.

7.3 Compliance with Laws, Regulations, Etc.

- (a) The Borrower shall, and shall cause each Loan Party to, at all times, comply in all material respects with all Applicable Law except for any matter that the Borrower or the respective Loan Party is contesting by appropriate proceedings diligently pursued or where such non-compliance could not reasonably be expected to have a Material Adverse Effect.
- (b) Each Loan Party shall, at its expense, take such measures as it deems reasonably necessary to ensure continued compliance with all material Environmental Laws applicable to all of its operations, which shall include annual reviews of such compliance by employees or agents of such Loan Party who are familiar with the requirements of the Environmental Laws. Copies of all environmental surveys, audits, assessments, feasibility studies and results of remedial investigations shall be promptly furnished, or caused to be furnished, by each Loan Party to the Lender upon the request of the Lender. Each Loan Party shall take prompt and appropriate action to respond to any material non-compliance with any of the Environmental Laws.
- (c) Each Loan Party shall give written notice to the Lender promptly upon the Loan Party's receipt of any notice of, or such Loan Party's otherwise obtaining knowledge of, (i) the occurrence of any reportable event involving the release, spill or discharge, threatened or actual, of any Hazardous Material at, on, under or from any real property owned, leased or operated by such Loan Party, or (ii) any investigation, proceeding, complaint, order, directive, claims, citation or notice with respect to: (A) any material non-compliance with or violation of any Environmental Law by such Loan Party or (B) the reportable release, spill or discharge, threatened or actual, of any Hazardous Material at, on, under or from any real property owned, leased or operated by such Loan Party, or (C) the generation, use, storage, treatment, transportation, manufacture, handling, production or disposal of any Hazardous Materials at, on, under or from any real property owned, leased or operated by such Loan Party, or (D) any other environmental, health or safety matter; in each case of (A), (B), (C) and (D), which could reasonably be expected to have a Material Adverse Effect.
- (d) Without limiting the generality of the foregoing, whenever the Lender determines, acting reasonably, that there is material non-compliance, or any condition which requires any action by or on behalf of a Loan Party in order to avoid any material non-compliance, with any Environmental Law, such Loan Party shall, at the Lender's request and such Loan Party's expense: (i) cause an independent environmental engineer acceptable to the Lender to conduct such tests of the site where such Loan Party's non-compliance or alleged non-compliance with such Environmental Laws has occurred as to such non-compliance and prepare and deliver to the Lender a report as to such non-compliance setting forth the results of such tests, a proposed plan for responding to any environmental problems described therein, and an estimate of the costs thereof and (ii) provide to the Lender a supplemental report of such engineer whenever the scope of such non-compliance, or such Loan Party's response thereto or the estimated costs thereof, shall change in any material adverse respect.

7.4 Payment of Taxes and Claims

The Borrower shall, and shall cause each Loan Party to, duly pay and discharge all Taxes, assessments, contributions and charges by any Governmental Authority effected upon or against it or its assets or undertakings,

except (i) to the extent the failure to do so could not reasonably be expected to have a Material Adverse Effect; and (ii) if the validity of such Taxes are being contested in good faith by appropriate proceedings diligently pursued and available to the Borrower or such Loan Party and with respect to which adequate reserves have been set aside on its books.

7.5 Books and Records; Inspection Rights.

Each Loan Party will keep proper Records and accounts in which full, true and correct entries are made of all dealings and transactions in relation to its Business and activities. Each Loan Party will permit any representatives designated by the Lender, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its Records and accounts, and to discuss its affairs, finances and condition with its officers, directors and independent accountants, all at such reasonable times and as often as reasonably requested; provided, however, if an Event of Default has occurred and is continuing, the Lender (or any of its representatives or independent contractors) may do any of the foregoing at the expense of the Loan Parties at any time during normal business hours and without advance notice.

7.6 Insurance

The Borrower shall, and shall cause each Loan Party to, at all times, maintain with financially sound and reputable insurers insurance with respect to the Collateral against loss or damage and all other insurance of the kinds and in the amounts customarily insured against or carried by corporations of established reputation engaged in the same or similar businesses and similarly situated. Said policies of insurance shall be satisfactory to the Lender, acting reasonably, as to form, amount and insurer. The Borrower shall furnish certificates to the Lender as the Lender shall reasonably require as proof of such insurance, and, if the Borrower fails to do so, the Lender is authorized, but not required, to obtain such insurance at the expense of the Borrower. All policies shall provide for at least thirty (30) days' (or such lesser period as the insurer is only prepared to agree to) prior written notice to the Lender of any cancellation or reduction of coverage and that the Lender may act as attorney for the Borrower in obtaining, and at any time an Event of Default exists or has occurred and is continuing, adjusting, settling, amending and cancelling such insurance. The Borrower shall cause the Lender to be named as a loss payee in respect of any insurance proceeds otherwise payable to a Loan Party and as an additional insured (but without any liability for any premiums) in relation to third party liability under such insurance policies and the Borrower shall obtain non-contributory lender's loss payable endorsements or its equivalent in respect of any insurance proceeds to all insurance policies. Such lender's loss payable endorsements or its equivalent shall specify that the proceeds of such insurance otherwise payable to a Loan Party shall be payable to the Lender as its interests may appear and further specify that Lender shall be paid regardless of any act or omission by Borrower or any of their Affiliates. If no Event of Default exists, the Lender shall release any insurance proceeds received by it to Borrower. If an Event of Default exists, at its option, the Lender may apply any insurance proceeds received by the Lender at any time to the cost of repairs or replacement of Collateral and/or to payment of the Obligations, whether or not then due, in any order and in such manner as the Lender may determine or, if no Obligations are then due and payable, hold such proceeds as cash collateral for the Obligations to be applied in payment thereof as and when they become due and payable.

7.7 Financial Statements and Other Information

- (a) The Borrower (and each Loan Party from time to time) shall keep or cause to be kept, proper books and records in which true and complete entries shall be made of all dealings or transactions of or in relation to the Collateral and the Business of the Borrower and its Subsidiaries (if any, and each Loan Party, if applicable) in accordance with ASPE and the Borrower (and each Loan Party, if applicable) shall furnish or cause to be furnished to the Lender:
 - (i) within thirty (30) days after the end of each month, monthly management prepared financial statements for the Borrower and all Subsidiaries (including in each case a balance sheet, statement of income and loss and statement of cash flow and statements of shareholders' equity), all in reasonable detail, fairly presenting the financial position and the results of the operations of the Borrower and all Subsidiaries as of the end of and through such month;
 - (ii) within 30 days of each month end, certified margin calculations and detailed listing of aged accounts receivable and inventory of the Borrower. The calculations shall separately identify receivables guaranteed under the EDC or other insurance programs acceptable to the Lender;

- (iii) within ninety (90) days after the end of each fiscal year, audited financial statements of the Borrower on a consolidated basis (together with the consolidating statements used in the preparation of such statements), including in each case balance sheets, statements of income and loss, statements of changes in financial position and statements of shareholders' equity, and the accompanying notes thereto, all in accordance with ASPE, fairly presenting the financial position and the results of operations as of the end of and for such fiscal year together with the management discussion and analysis and the unqualified opinion of independent chartered accountants that such financial statements have been prepared in accordance with ASPE, and present fairly the results of operations and financial condition as of the end of and for the fiscal year then ended.
- (b) The Borrower shall promptly notify the Lender in writing of the details of (i) any loss, damage, investigation, action, suit, proceeding or claim relating to the Collateral or any other property which is security for the Obligations and which could reasonably be expected to have a Material Adverse Effect, and (ii) the occurrence of any Default or Event of Default.
- (c) The Lender is, subject to Section 11.9, hereby authorized to deliver a copy of any financial statement or any other information relating to the business of a Loan Party to any partner, participant or assignee or prospective partner participant or assignee, or, if required by Applicable Law, to any Governmental Authority. Each Loan Party shall deliver to the Lender, at the Borrower's expense, copies of the financial statements of each Loan Party and any audit related reports prepared by their accountants or auditors on behalf of each Loan Party and shall disclose to the Lender such audit related reports; provided that, for greater certainty, such disclosure shall not relate to reports or letters which relate to business consulting services unrelated to audit services. Any documents, schedules, invoices or other papers delivered to the Lender may be destroyed or otherwise disposed of by the Lender one (1) year after the same are delivered to the Lender, except as otherwise designated by the Borrower to the Lender in writing.
- (d) The Borrower shall furnish to the Lender, at least sixty (60) days prior to the commencement of each fiscal year, each Loan Party's annual operating budget for the then following fiscal year, prepared on a monthly basis and including a detailed Capital Expenditures budget, which operating budget shall be approved by the Borrower's Board of Directors and shall include, without limitation, balance sheets, income statements and cash flows which include detail on a monthly basis reflecting Capital Expenditures, acquisitions and financing required in connection therewith.
- (e) The Borrower shall promptly notify the Lender of any default under any lease of any of the Loan Parties' leased premises where the Business is being operated or where material Inventory is located.
- (f) The Borrower shall promptly provide the Lender with such other information and copies of agreements and documents, as from time to time may be reasonably requested by the Lender and senior management of the Borrower shall meet with representatives of the Lender on a regular basis, as reasonably required by the Lender.

7.8 Encumbrances

No Loan Party shall, without prior written consent of the Lender; create, incur, assume or suffer to exist any Security Interest of any nature whatsoever on any of its assets or properties, including the Collateral, except Permitted Liens.

7.9 Indebtedness

No Loan Party shall, without prior written consent of the Lender; incur, create, assume, become or be liable in any manner with respect to, or permit to exist, any indebtedness for borrowed money, except Permitted Debt; provided, that, as to such Permitted Debt: (i) no Loan Party shall (A) amend, modify, alter or change any of its terms or any agreement, document or instrument related thereto if such amendment, modification, alteration or change is materially disadvantageous to such Loan Party, or (B) redeem, retire, defease, purchase or otherwise acquire the obligations arising pursuant thereto, or set aside or otherwise deposit or invest any sums for such purpose, except in accordance with the terms and conditions thereof or permitted thereby, (ii) the Borrower shall furnish to the Lender all notices of default or demands for accelerated payment in connection therewith either received by a Loan Party or

on its behalf, promptly after the receipt thereof, or sent by a Loan Party or on its behalf, concurrently with the sending thereof, as the case may be.

7.10 Loans, Investments, Guarantees, Etc.

No Loan Party shall, without prior written consent of the Lender, directly or indirectly, make any loans or advance money or property to any Person, or invest in (by capital contribution, dividend or otherwise) or purchase or repurchase the shares or create indebtedness or acquire all or a substantial part of the assets or undertakings of any Person, or guarantee, assume, endorse, or otherwise become responsible for (directly or indirectly) the indebtedness, performance, obligations or dividends of any Person or agree to do any of the foregoing, except: (a) the endorsement of instruments for collection or deposit in the ordinary course of business; (b) investments in: (i) short-term direct obligations of the Government of Canada, the United States of America or any political subdivision of either thereof or any instrumentality of any of the foregoing, (ii) negotiable certificates of deposit issued by any bank whose long-term debt is investment grade or is otherwise satisfactory to the Lender, payable to the order of a Loan Party or to bearer and delivered to the Lender or the security entitlements to which are credited to an account control agreement to which the Lender is party, and (iii) commercial paper rated A1 or P1.

7.11 Dividends and Redemptions

No Loan Party shall, without prior written consent of the Lender; directly or indirectly, declare or make any Restricted Payment or agree to do so.

7.12 Financial Covenants

The Borrower and the Loan Parties shall, at all times, maintain the financial covenants set forth in any Senior Credit Agreements approved by the Lender from time to time, calculated according to ASPE.

7.13 Transactions with Affiliates

No Loan Party shall, without prior written consent of the Lender; directly or indirectly, (a) purchase, acquire or lease any property from, or sell, transfer or lease any property to, any senior officer, director or other person affiliated with a Loan Party, that is not a Loan Party, except in the ordinary course of and pursuant to the reasonable requirements of a Loan Party's business and upon fair and reasonable terms no less favorable to a Loan Party than a Loan Party would obtain in a comparable Arm's-Length transaction with an unaffiliated person or (b) make any payments of management, consulting or other fees for management or similar services, or of any indebtedness owing to any officer, employee, shareholder, director or other person affiliated with a Loan Party, that is not a Loan Party, except (x) reasonable compensation to officers, employees and directors or such other persons for services rendered to a Loan Party in the ordinary course of business, (y) services fees for legal, tax and accounting services or (z) as otherwise may be specifically permitted in this Agreement.

7.14 Intellectual Property

In the event a Loan Party obtains or applies for any rights related to Intellectual Property, the Borrower shall promptly notify the Lender thereof and shall provide to the Lender copies of all written materials including, but not limited to, applications and licenses with respect to such Intellectual Property. At the Lender's request, a Loan Party shall promptly execute and deliver to the Lender an intellectual property security agreement granting to the Lender a perfected Security Interest in such Intellectual Property in form and substance satisfactory to the Lender, acting reasonably.

7.15 Additional Bank Accounts

The Loan Parties shall not, directly or indirectly, open, establish or maintain any deposit account, investment account or any other account with any bank or other financial institution, other than as approved by the Lender.

7.16 Applications under the Companies' Creditors Arrangement Act

The Borrower acknowledges that its business and financial relationships with the Lender are unique from its relationship with any other of its creditors. The Borrower agrees that no Loan Party shall file any plan of arrangement under the CCAA ("CCAA Plan") which provides for, or would permit directly or indirectly, the Lender to be classified with any other creditor of any Loan Party for purposes of such CCAA Plan or otherwise.

7.17 Costs and Expenses

The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Lender, and its Affiliates, including the reasonable fees, charges and disbursements of counsel for the Lender, in connection with the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), and (ii) all out-of-pocket expenses incurred by the Lender, including the fees, charges and disbursements of counsel, in connection with the enforcement or protection of its rights in connection with this Agreement and the other Loan Documents, including its rights under this Section and including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect thereof.

Without limiting the foregoing, the Borrower shall pay all costs, expenses, filing fees incurred and taxes paid or payable for which the Borrower is responsible in connection with the preparation, negotiation, execution, delivery, recording, administration, collection, liquidation, enforcement and defense of the Obligations, the Lender's rights in the Collateral, this Agreement, the other Loan Documents and all other documents related hereto or thereto, including any amendments, supplements or consents which may hereafter be contemplated (whether or not executed) or entered into in respect hereof and thereof, including: (a) all costs and expenses paid or incurred of filing or recording (including PPSA financing statements and other similar filing and recording fees and taxes, documentary taxes, intangibles taxes and mortgage recording taxes and fees, if applicable); (b) all insurance premiums, appraisal fees and search fees paid or incurred; (c) costs and expenses paid or incurred in respect of remitting loan proceeds, collecting cheques and other items of payment, together with Lender's reasonable and customary charges and fees with respect thereto; (d) reasonable costs and expenses paid or incurred in respect of preserving and protecting the Collateral; (e) reasonable costs and expenses paid or incurred in connection with obtaining payment of the Obligations, enforcing the Security Interests of the Lender, selling or otherwise realizing upon the Collateral, and otherwise enforcing the provisions of this Agreement and the other Loan Documents or defending any claims made or threatened against the Lender arising out of the transactions contemplated hereby and thereby (including, without limitation, preparations for and consultations concerning any such matters); (f) the reasonable fees and disbursements of counsel (including legal assistants) to the Lender in connection with any of the foregoing.

All amounts due under this Section and Article 9 shall be payable promptly after demand therefor. A certificate of the Lender setting forth the amount or amounts owing to the Lender, as specified in this Section, including reasonable detail of the basis of calculation of the amount or amounts, and delivered to the Borrower shall be *prima facie* evidence thereof absent manifest error.

7.18 Further Assurances

At the request of the Lender at any time and from time to time, each Loan Party shall, at its expense, duly execute and deliver, or cause to be duly executed and delivered, such further agreements, documents, mortgages, and instruments, and do or cause to be done such further acts as may be reasonably necessary or proper to evidence, perfect, maintain and enforce the Security Interests and the priority thereof in the Collateral and to otherwise effectuate the provisions or purposes of this Agreement or any of the other Loan Documents. Where permitted by Applicable Law, each Loan Party hereby authorizes the Lender to execute and file one or more PPSA or other financing statements or notices signed only by the Lender or the Lender's representative.

7.19 Most Favoured Lender

In the event a Loan Party enters into any material loan agreement evidencing indebtedness in respect of borrowed money with any lender containing one or more covenants (i) which are more restrictive on a Loan Party than the covenants set forth in this Agreement; or (ii) which has the effect of establishing rights or benefits for a lender more favorable in substance to such lender than any rights or benefits in favor of the Lender hereunder; each Loan Party agrees, at the request of the Lender, to amend this Agreement to include such restrictive covenants or such additional rights for so long as such other borrowed money remains outstanding. Nothing in this Section 7.19 shall be interpreted as a waiver of any covenant of any Loan Party.

ARTICLE 8 - EVENTS OF DEFAULT AND REMEDIES

8.1 Events of Default

The occurrence or existence of any one or more of the following events is referred to herein individually as an "Event of Default", and collectively as "Events of Default":

- (a) if the Borrower fails to pay when due any payment of principal, interest or other amount owing hereunder or under any other Loan Agreement;
- (b) if an Event of Default occurs under any Senior Credit Agreement in place from time to time, which is not cured within the applicable cure period set forth therein;
- (c) if any Loan Party fails to perform any of the terms, covenants, conditions or provisions contained in this Agreement (other than as set forth in paragraphs (a) and (b)) or contained in any of the other Loan Documents and such failure to perform (if capable of being cured as determined by the Lender) is not cured within ten (10) days of notice from the Lender to do so;
- (d) if any material representation, warranty or statement of fact made by any Loan Party to the Lender in this Agreement, the other Loan Documents or any other agreement, schedule, confirmatory assignment or otherwise is when made or deemed to be made, false or misleading in any material respect;
- (e) if any Loan Party revokes or terminates or questions the enforceability of this Agreement or any of the other Loan Documents;
- (f) unless covered by applicable insurance or letter of credit, if any judgment for the payment of money is rendered against any Loan Party in excess of \$100,000 in the aggregate and remains unsatisfied, undischarged and unvacated for a period in excess of thirty (30) days or if execution thereon having been initiated shall at any time not be effectively stayed before any such execution is carried out;
- (g) if any Loan Party, which is a partnership, limited liability company, limited partnership, limited liability partnership or a corporation, dissolves or suspends or discontinues doing business without the prior written consent of the Lender;
- (h) if a petition, case or proceeding under the bankruptcy laws of Canada or similar laws of any foreign jurisdiction now or hereafter in effect or under any insolvency, arrangement, reorganization, moratorium, receivership, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction now or hereafter in effect (whether at law or in equity) is filed or commenced against any Loan Party or all or any part of its properties and such petition or application is not dismissed within thirty (30) days after the date of its filing or any Loan Party shall file any answer admitting or not contesting such petition or application or indicates its consent to, acquiescence in or approval of, any such action or proceeding or the relief requested is granted sooner;
- (i) if a petition, case or proceeding under the bankruptcy laws of Canada or similar laws of any foreign jurisdiction now or hereafter in effect or under any insolvency, arrangement, reorganization, moratorium, receivership, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction now or hereafter in effect (whether at a law or equity) is filed or commenced by any Loan Party for all or any part of its property including, without limitation, if any Loan Party shall:
 - (i) apply for or consent to the appointment of a receiver, trustee or liquidator of it or of all or a substantial part of its assets and undertakings;
 - (ii) be unable, or admit in writing its inability, to pay its debts as they mature, or commit any other act of bankruptcy;
 - (iii) make a general assignment for the benefit of creditors;
 - (iv) file a voluntary petition or assignment in bankruptcy or a proposal seeking a reorganization, compromise, moratorium or arrangement with its creditors;
 - (v) take advantage of any insolvency or other similar law pertaining to arrangements, moratoriums, compromises or reorganizations, or admit the material allegations of a petition or application filed in respect of it in any bankruptcy, reorganization or insolvency proceeding; or
 - (vi) take any corporate action for the purpose of effecting any of the foregoing;
- (j) if there occurs any default by any Loan Party under any agreement, document or instrument relating to any indebtedness for borrowed money owing to any person other than the Lender, or any

capitalized lease obligations, contingent indebtedness in connection with any guarantee, letter of credit, indemnity or similar type of instrument in favour of any person other than the Lender, in any case in an amount in excess of \$100,000;

- (k) if there is any Change of Control in respect of any Loan Party without the Lender's prior written consent;
- (l) on the occurrence of a Material Adverse Change, as determined by the Lender, acting reasonably;
- (m) if there is a breach or failure to comply by any Loan Party with the provisions of any interlender agreement to which the Lender is party with respect to any Loan Party;
- (n) if a requirement from the Minister of National Revenue for payment pursuant to Section 224 or any successor section of the *Income Tax Act* (Canada) or Section 317, or any successor section or any other Person in respect of the Borrower of the *Excise Tax Act* (Canada) or any comparable provision of similar legislation of any jurisdiction shall have been received by the Lender or any other Person in respect of the Borrower or otherwise issued in respect of the Borrower which is not satisfied or discharged, as applicable, within thirty (30) days; or
- (o) if this Agreement or any other Loan Agreement, or any provision hereof or thereof, shall at any time after execution and delivery hereof or thereof, for any reason, cease to be a legal, valid and binding obligation of any Loan Party or cease to be enforceable against any Loan Party in accordance with its terms or shall be declared to be null and void and as a result of any of the foregoing, the rights of the Lender, taken as a whole under the Loan Documents, are materially prejudiced.

8.2 Remedies

- (a) At any time an Event of Default exists or has occurred and is continuing, the Lender shall have all rights and remedies provided in this Agreement, the other Loan Documents, the PPSA and other Applicable Law, all of which rights and remedies may be exercised without notice to or consent by any Loan Party, except as such notice or consent is expressly provided for hereunder or required by Applicable Law. All rights, remedies and powers granted to the Lender hereunder, under any of the other Loan Documents, the PPSA or other Applicable Law, are cumulative, not exclusive and enforceable, in the Lender's discretion, alternatively, successively, or concurrently on any one or more occasions, and shall include, without limitation, the right to apply to a court of equity for an injunction to restrain a breach or threatened breach by any Loan Party of this Agreement or any of the other Loan Documents. At any time an Event of Default exists, the Lender may, at any time or times, proceed directly against any Loan Party to collect the Obligations without prior recourse to the Collateral.
- (b) Without limiting the foregoing, at any time an Event of Default exists or has occurred and is continuing, the Lender may, by written notice to Borrower (a "**Notice of Termination**"), accelerate the payment of all Obligations and demand immediate payment thereof to the Lender (provided, that, upon the occurrence of any Event of Default described in Sections 8.1(h) and 8.1(i), all Obligations shall automatically become immediately due and payable without the requirement to give any notice, and in such event, a Notice of Termination shall be deemed to have been given). Following the delivery of a Notice of Termination by the Lender, the Lender may, in its discretion and without limitation: (i) with or without judicial process or the aid or assistance of others, enter upon any premises on or in which any of the Collateral may be located and take possession of the Collateral or complete processing, manufacturing and repair of all or any portion of the Collateral and carry on the business of each Loan Party, (ii) require each Loan Party, at each Loan Party's expense, to assemble and make available to the Lender any part or all of the Collateral at any place and time designated by the Lender, (iii) collect, foreclose, receive, appropriate, setoff and realize upon any and all Collateral, (iv) remove any or all of the Collateral from any premises on or in which the same may be located for the purpose of effecting the sale, foreclosure or other disposition thereof or for any other purpose, (v) sell, lease, transfer, assign, deliver or otherwise dispose of any and all Collateral (including entering into contracts with respect thereto, public or private sales at any exchange, broker's board, at any office of the Lender or elsewhere) at such prices or terms as the Lender may deem reasonable, for cash, upon credit or for future delivery, with the Lender having the right to purchase the whole or any part of the Collateral at any such public sale, all of the

foregoing being free from any right or equity of redemption of the Loan Parties, which right or equity of redemption is hereby expressly waived and released by the Loan Parties, (vi) borrow money and use the Collateral directly or indirectly in carrying on the Loan Parties' business or as security for loans or advances for any such purposes, (vii) grant extensions of time and other indulgences, take and give up security, accept compositions, grant releases and discharges, and otherwise deal with the Loan Parties, debtors of the Loan Parties, sureties and others as the Lender may see fit without prejudice to the liability of the Loan Parties or the Lender's right to hold and realize the Security Interests created under any Loan Agreement, and/or (viii) terminate this Agreement. If any of the Collateral is sold or leased by the Lender upon credit terms or for future delivery, the Obligations shall not be reduced as a result thereof until payment therefor is finally collected by the Lender. If notice of disposition of Collateral is required by law, fifteen (15) days' prior notice by the Lender to the Borrower designating the time and place of any public sale or the time after which any private sale or other intended disposition of Collateral is to be made, shall be deemed to be notice thereof and the Loan Parties waive any other notice. In the event the Lender institutes an action to recover any Collateral or seeks recovery of any Collateral by way of pre-judgment remedy, the Loan Parties waive the posting of any bond which might otherwise be required.

- (c) The Lender shall apply the cash proceeds of Collateral actually received by the Lender from any sale, lease, foreclosure or other disposition of the Collateral to payment of the Obligations in accordance with Section 2.4, subject always to the provisions of any interlender agreement, as applicable. Loan Parties shall remain liable to the Lender for the payment of any deficiency with interest at the highest rate provided for herein and all costs and expenses of collection or enforcement, including reasonable legal costs and expenses.
- (d) Subject to the provisions of any interlender agreement, the Lender may appoint, remove and reappoint any person or persons, including an employee or agent of the Lender to be a receiver (the "**Receiver**") which term shall include a receiver and manager of, or agent for, all or any part of the Collateral. Any such Receiver shall, as far as concerns responsibility for his acts, be deemed to be the agent of the Loan Parties and not of the Lender, and the Lender shall not in any way be responsible for any misconduct, negligence or non-feasance of such Receiver, his employees or agents. Except as otherwise directed by the Lender, all money received by such Receiver shall be received in trust for and paid to the Lender. Such Receiver shall have all of the powers and rights of the Lender described in this Section 8.2. The Lender may, either directly or through its agents or nominees, exercise any or all powers and rights of a Receiver.
- (e) Loan Parties shall pay all reasonable costs, charges and expenses incurred by the Lender or any Receiver or any nominee or agent of the Lender, whether directly or for services rendered (including, without limitation, reasonable solicitor's costs on a full indemnity basis, auditor's costs, other legal expenses and Receiver remuneration) in enforcing this Agreement or any other Loan Agreement and in enforcing or collecting Obligations and all such expenses together with any money owing as a result of any borrowing permitted hereby shall be a charge on the proceeds of realization and shall be secured hereby.

ARTICLE 9- INDEMNITY, TAX AND RELATED PROVISIONS

9.1 Taxes

- (a) **Payments Subject to Taxes.** If any Loan Party, or the Lender, is required by Applicable Law to deduct or pay any Indemnified Taxes (including any Other Taxes) in respect of any payment by or on account of any obligation of a Loan Party hereunder or under any other Loan Agreement, then (i) the sum payable shall be increased by that Loan Party when payable as necessary so that after making or allowing for all required deductions and payments (including deductions and payments applicable to additional sums payable under this Section) the Lender receives an amount equal to the sum it would have received had no such deductions or payments been required, (ii) the Loan Party shall make any such deductions required to be made by it under Applicable Law, and (iii) the Loan Party shall timely pay the full amount required to be deducted to the relevant Governmental Authority in accordance with Applicable Law.

- (b) **Payment of Other Taxes by the Borrower.** Without limiting the provisions of paragraph (a) above, the Borrower shall timely pay, or cause to be paid, any Other Taxes to the relevant Governmental Authority in accordance with Applicable Law.
- (c) **Indemnification by the Borrower.** The Borrower shall indemnify the Lender for and pay, within ten (10) Business Days after demand therefor, the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by the Lender and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by the Lender shall be *prima facie* evidence thereof.
- (d) **Evidence of Payments.** As soon as practicable after any payment of Indemnified Taxes or Other Taxes by a Loan Party to a Governmental Authority, the Loan Party shall deliver to the Lender the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Lender.
- (e) **Treatment of Certain Refunds and Tax Reductions.** If the Lender determines, in its sole discretion, that it has received a refund of any Taxes or Other Taxes to which it has been indemnified by the Borrower or with respect to which a Loan Party has paid additional amounts pursuant to this Section or that, because of the payment of such Taxes or Other Taxes, it has benefited from a reduction in Excluded Taxes otherwise payable by it, it shall pay to the Borrower or the Loan Party, as applicable, an amount equal to such refund or reduction (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower or the Loan Party under this Section with respect to the Taxes or Other Taxes giving rise to such refund or reduction), net of all out-of-pocket expenses of the Lender and without interest (other than any net after-tax interest paid by the relevant Governmental Authority with respect to such refund). The Borrower or Loan Party as applicable, upon the request of the Lender, agrees to repay the amount paid over to the Borrower or the Loan Party (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Lender if the Lender is required to repay such refund or reduction to such Governmental Authority. This paragraph shall not be construed to require the Lender to make available its tax returns (or any other information relating to its taxes that it deems confidential) to the Borrower or any other Person, to arrange its affairs in any particular manner or to claim any available refund or reduction.
- (f) **Accounting.** Upon request of the Borrower, the Lender shall provide a detailed computation of any Taxes or Other Taxes for which it requests compensation under this Section 9.1.

9.2 Indemnity for Transactional and Environmental Liability

- (a) The Borrower hereby agrees to indemnify, exonerate and hold the Lender and its partners, officers, directors, employees, agents and shareholders, where applicable (collectively, the "**Indemnified Parties**") free and harmless from and against any and all claims, demands, actions, causes of action, suits, losses, costs (including, without limitation, all documentary, recording, filing, mortgage or other stamp taxes or duties), charges, liabilities and damages, and expenses in connection therewith (irrespective of whether such Indemnified Party is a party to the action for which indemnification hereunder is sought), and including, without limitation, reasonable legal fees and out of pocket disbursements and amounts paid in settlement of any and every kind whatsoever when such amounts paid in settlement have been approved by the Borrower, acting reasonably (collectively, in this Section 9.2(a), the "**Indemnified Liabilities**"), paid, incurred or suffered by, or asserted against, the Indemnified Parties or any of them as a result of, or arising out of, or relating to (i) any transaction financed or to be financed in whole or in part, directly or indirectly, with the proceeds of any credit extended hereunder, (ii) any actual or threatened investigation, litigation or other proceeding relating to any credit extended or proposed to be extended as contemplated herein or (iii) the occurrence of any Event of Default; except for any Excluded Taxes and any such Indemnified Liabilities which a court of competent jurisdiction determines, pursuant to a final non-appealable

order, arose on account of the relevant Indemnified Party's breach of any Loan Agreement, gross negligence or wilful misconduct.

- (b) Without limiting the generality of the indemnity set out in Section 9.2(a), the Borrower hereby further agrees to indemnify, exonerate and hold the Indemnified Parties free and harmless from and against any and all claims, demands, actions, causes of action, suits, losses, costs, charges, liabilities and damages, and expenses in connection therewith, including, without limitation, reasonable legal fees and out of pocket disbursements, and amounts paid in settlement of any and every kind whatsoever when such amounts paid in settlement have been approved by the Borrower (collectively, in this Section 9.2(b), the "**Indemnified Liabilities**"), paid, incurred or suffered by, or asserted against, the Indemnified Parties or any of them for, with respect to, or as a direct or indirect result of, (i) the presence on or under, or the escape, seepage, leakage, spillage, discharge, emission or release from, any real property legally or beneficially owned (or any estate or interest which is owned), leased, used or operated by the Borrower or any other Loan Party, of any Hazardous Material or (ii) the breach or violation of any Environmental Law by the Borrower or any other Loan Party, regardless of whether caused by, or within the control of, the Borrower or Loan Party, as the case may be; except for any such Indemnified Liabilities which a court of competent jurisdiction determines, pursuant to a final non-appealable order, arose on account of the relevant Indemnified Party's breach of any Loan Agreement, gross negligence or wilful misconduct.
- (c) All obligations provided for in this Section 9.2 shall survive the payment of the Obligations and the termination and non-renewal of this Agreement and shall not be reduced or impaired by any investigation made by or on behalf of the Lender.
- (d) The Borrower hereby agrees that, for the purposes of effectively allocating the risk of loss placed on the Borrower by this Section 9.2, the Lender shall be deemed to be acting as the agent or trustee on behalf of and for the benefit of its shareholders, partners, officers, directors, employees and agents.
- (e) If, for any reason, the obligations of the Borrower pursuant to this Section 9.2 shall be unenforceable, the Borrower agrees to make the maximum contribution to the payment and satisfaction of each obligation that is permissible under Applicable Law, except to the extent that a court of competent jurisdiction determines such obligations arose on account of the breach of any Loan Agreement or the gross negligence or wilful misconduct of any Indemnified Party or to the extent that such obligations relate to Excluded Taxes.
- (f) To the fullest extent permitted by Applicable Law, the Borrower shall not assert, and hereby waives, any claim against any Indemnified Party, on any theory of liability, for indirect, consequential, punitive, aggravated or exemplary damages (as opposed to direct damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Agreement or any agreement or instrument contemplated hereby (or any breach thereof), the transactions contemplated hereby or thereby, any Loan or the use of the proceeds thereof. Except to the extent resulting from the gross negligence or wilful misconduct of such Indemnified Party, no Indemnified Party shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby.

ARTICLE 10 - WAIVERS AND CONSENTS; GOVERNING LAW

10.1 Governing Law; Choice of Forum; Service of Process

- (a) The validity, interpretation and enforcement of this Agreement and the other Loan Documents and any dispute arising out of the relationship between the parties hereto, whether in contract, tort, equity or otherwise, shall be governed by the laws of the Province of Alberta and the federal laws of Canada applicable therein; except as otherwise may be otherwise expressly provided in the Loan Documents.
- (b) Except as otherwise specifically stated in the other Loan Documents, the Loan Parties and the Lender irrevocably consent and submit to the non-exclusive jurisdiction of the courts of the Province

of Alberta and waive any objection based on venue or *forum non conveniens* with respect to any action instituted therein arising under this Agreement or any of the other Loan Documents or in any way connected with or related or incidental to the dealings of the parties hereto in respect of this Agreement or any of the other Loan Documents or the transactions related hereto or thereto, in each case whether now existing or hereafter arising, and whether in contract, tort, equity or otherwise, and agree that any dispute with respect to any such matters shall be heard only in the courts described above (except that the Lender shall have the right to bring any action or proceeding against any Loan Party or its property in the courts of any other jurisdiction which the Lender deems necessary or appropriate in order to realize on the Collateral or to otherwise enforce the Lender's rights against any Loan Party or its property).

- (c) To the extent permitted by Applicable Law, each Loan Party hereby waives personal service of any and all process upon it and consents that all such service of process may be made by registered mail (return receipt requested) directed to its address set forth on the signature pages hereof and service so made shall be deemed to be completed five (5) days after the same shall have been so deposited in the Canadian mail, or, at the Lender's option, by service upon the Loan Parties in any other manner provided under the rules of any such courts. Within thirty (30) days after such service, such Loan Party shall appear in answer to such process, failing which such Loan Party shall, to the extent the applicable rules of civil procedure allow or permit, be deemed in default and judgment may be entered by the Lender against such Loan Party for the amount of the claim and other relief requested.
- (d) The Lender shall not have any liability to any Loan Party (whether in tort, contract, equity or otherwise) for losses suffered by any Loan Party in connection with, arising out of, or in any way related to the transactions or relationships contemplated by this Agreement or any other Loan Agreement, or any act, omission or event occurring in connection herewith, unless it is determined by a final judgment or court order binding on the Lender, that the losses were the result of any breach of any Loan Documents or acts or omissions constituting gross negligence or willful misconduct. In any such litigation, the Lender shall be entitled to the benefit of the rebuttable presumption that it acted in good faith and with the exercise of ordinary care in the performance by it of the terms of this Agreement or any other Loan Agreement. Notwithstanding the foregoing, no claim may be made by Loan Parties or any other Person against the Lender or the Affiliates, directors, officers, employees, or agents of any of them for any special, indirect, consequential or punitive damages in respect of any claim for breach of contract of any other theory of liability arising out of or related to the transactions contemplated by this Agreement or any other Loan Agreement, or any act, omission or event occurring in connection therewith, and each Loan Party hereby waives, releases and agrees not to sue upon any claim for such damages, whether or not accrued and whether or not known or suspected to exist in its favour.
- (e) Each Loan Party hereby expressly waives, to the extent permitted by Applicable Law, all rights of notice and hearing of any kind prior to the exercise of rights by the Lender at any time an Event of Default exists to repossess the Collateral with judicial process or to replevy, attach or levy upon the Collateral or other security for the Obligations. Each Loan Party hereby waives, to the extent permitted by Applicable Law, the posting of any bond otherwise required of the Lender in connection with any judicial process or proceeding to obtain possession of, replevy, attach or levy upon the Collateral or other security for the Obligations, to enforce any judgment or other court order entered in favour of the Lender, or to enforce by specific performance, temporary restraining order, preliminary or permanent injunction, this Agreement or any other Loan Agreement.

10.2 Waiver of Notices

Each Loan Party hereby expressly waives, to the extent permitted by Applicable Law, demand, presentment, protest and notice of protest and notice of dishonour with respect to any and all instruments and commercial paper, included in or evidencing any of the Obligations or the Collateral, and any and all other demands and notices of any kind or nature whatsoever with respect to the Obligations, the Collateral and this Agreement, except such as are expressly provided for herein. No notice to or demand on any Loan Party which the Lender may elect to give shall entitle such Loan Party to any other or further notice or demand in the same, similar or other circumstances.

10.3 Amendments and Waivers

Any term, covenant or condition of any of the Loan Documents may only be amended with the prior consent of Borrower and the Lender or compliance therewith may be waived (either generally or in a particular instance and either retroactively or prospectively) by the Lender and in any such event the failure to observe, perform or discharge any such covenant, condition or obligation, so amended or waived (whether such amendment is executed or such consent or waiver is given before or after such failure) shall not be construed as a breach of such covenant, condition or obligation or as a Default or Event of Default.

10.4 Waiver of Counterclaims

Except as otherwise provided in the Loan Documents with respect to the Lender's gross negligence, fraud or intentional misconduct, each Loan Party waives all rights to interpose any claims, deductions, setoffs or counterclaims of any nature (other than compulsory counterclaims) in any action or proceeding with respect to this Agreement, the other Loan Documents, the Obligations, the Collateral or any matter arising therefrom or relating hereto or thereto.

ARTICLE 11 - MISCELLANEOUS

11.1 Notices; Effectiveness; Electronic Communication

- (a) **Notices Generally.** Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in paragraph (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile to the addresses or facsimile numbers specified elsewhere in this Agreement or, if to the Lender, to it at its address or facsimile number specified in this Agreement or, if to a Loan Party other than Borrower, in care of Borrower.

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by facsimile shall be deemed to have been given when sent (except that, if not given on a Business Day between 9:00 a.m. and 5:00 p.m. local time where the recipient is located, shall be deemed to have been given at 9:00 a.m. on the next Business Day for the recipient). Notices delivered through electronic communications to the extent provided in paragraph (b) below, shall be effective as provided in said paragraph (b).

- (b) **Electronic Communications.** Notices and other communications to the Lender hereunder may be delivered or furnished by electronic communication (including e-mail and internet or intranet websites) pursuant to procedures approved by the Lender. The Lender or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications.

Unless the Lender otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

- (c) **Change of Address, Etc.** Any Loan Party may change its address, phone or fax number, email address or other contact information for notices and other communications hereunder by notice to the Lender and the other parties hereto.

11.2 Partial Invalidity

If any provision of this Agreement is held to be invalid or unenforceable, such invalidity or unenforceability shall not invalidate this Agreement as a whole, but this Agreement shall be construed as though it did not contain the

particular provision held to be invalid or unenforceable and the rights and obligations of the parties hereto shall be construed and enforced only to such extent as shall be permitted by Applicable Law.

11.3 Successors and Assigns

- (a) **Successors and Assigns Generally.** The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that no Loan Party may assign or otherwise transfer any of its rights or obligations hereunder or under any other Loan Agreement without the prior written consent of the Lender and any other attempted assignment or transfer shall be null and void. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, and, to the extent expressly contemplated hereby, the Related Parties of the Lender) any legal or equitable right, remedy or claim under or by reason of this Agreement.
- (b) **Assignments by Lender.** The Lender may at any time assign to one or more Persons, all or a portion of its rights and obligations under this Agreement (including all or a portion of the Loan at the time owing to it); provided that:
- (i) except if an Event of Default has occurred and is continuing, the assignee shall not be a non-resident (as defined in the *Income Tax Act* (Canada));
 - (ii) each partial assignment shall be made as an assignment of a proportionate part of all the Lender's rights and obligations under this Agreement with respect to the Loan assigned, except that this clause (ii) shall not prohibit the Lender from assigning all or a portion of its rights and obligations among separate credits on a non-pro rata basis; and
 - (iii) the parties to each assignment shall execute and deliver to the Lender an Assignment and Assumption.

If an Event of Default has occurred and is continuing, the Lender may assign to one or more Persons, all or a portion of its rights under the Loan Documents with no further restriction or requirement.

From and after the effective date specified in each Assignment and Assumption, the transferee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of the Lender under this Agreement and the other Loan Documents, including any collateral security, and the Lender shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, the Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Article 4 and Section 7.17, and shall continue to be liable for any breach of this Agreement by such Lender, with respect to facts and circumstances occurring prior to the effective date of such assignment. Any payment by an assignee to the Lender in connection with an assignment or transfer shall not be or be deemed to be a repayment by the Borrower or a new Loan to Borrower.

11.4 Entire Agreement

This Agreement, the other Loan Documents, any supplements hereto or thereto, and any instruments or documents delivered or to be delivered in connection herewith or therewith represents the entire agreement and understanding concerning the subject matter hereof and thereof between the parties hereto, and supersedes all other prior agreements, understandings, negotiations and discussions, representations, warranties, commitments, proposals, offers and contracts concerning the subject matter hereof, whether oral or written, including without limitation any term sheet or commitment letter issued by the Lender prior to the date hereof. In the event of any inconsistency between the terms of this Agreement and any schedule or exhibit hereto, the terms of this Agreement shall govern.

11.5 Headings

The division of this Agreement into Sections and the insertion of headings and a table of contents are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

11.6 Judgment Currency

To the extent permitted by Applicable Law, the obligations of Borrower in respect of any amount due under this Agreement shall, notwithstanding any payment in any other currency (the "**Other Currency**") (whether pursuant to a judgment or otherwise), be discharged only to the extent of the amount in the currency in which it is due (the "**Agreed Currency**") that the Lender may, in accordance with normal banking procedures, purchase with the sum paid in the Other Currency (after any premium and costs of exchange) on the Business Day immediately after the day on which the Lender receives the payment. If the amount in the Agreed Currency that may be so purchased for any reason falls short of the amount originally due, the Borrower shall pay all additional amounts, in the Agreed Currency, as may be necessary to compensate for the shortfall. Any obligation of the Borrower not discharged by that payment shall, to the extent permitted by Applicable Law, be due as a separate and independent obligation and, until discharged as provided in this Section, continue in full force and effect.

11.7 Counterparts; Integration; Effectiveness; Electronic Execution

- (a) **Counterparts; Integration; Effectiveness.** This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Except as provided in the conditions precedent Section(s) of this Agreement, this Agreement shall become effective when it has been executed by the Lender and when the Lender has received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or by sending a scanned copy by electronic mail shall be effective as delivery of a manually executed counterpart of this Agreement.
- (b) **Electronic Execution of Assignments.** The words "execution", "signed", "signature", and words of like import in any Assignment and Assumption shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any Applicable Law, including Parts 2 and 3 of the *Personal Information Protection and Electronic Documents Act* (Canada) and other similar federal or provincial laws based on the *Uniform Electronic Commerce Act* of the Uniform law Conference of Canada or its *Uniform Electronic Evidence Act*, as the case may be.

11.8 Credit Information

The Borrower hereby consents to the collection, use, exchange and disclosure on a confidential basis of credit or other information from time to time by the Lender with its partners, any other financial institution, credit bureau, credit reporting agency and any Person with whom Borrower may have business dealings with for the purpose of managing and administering the Loan. The Borrower understands that this information may be used for any purpose relating to the Loan, including, without limitation, the exercise of the Lender's rights hereunder or under any other agreement or document contemplated hereunder.

11.9 Confidentiality

The Lender agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to each of its and each of its Affiliates', limited partners, directors, officers, employees, agents and advisors, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made shall be informed of the confidential nature of such Information and shall be instructed and agree to keep such Information confidential), (b) to the extent requested by any Governmental Authority, or their legal counsel, (c) to the extent required by Applicable Laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies under any Loan Agreement or any suit, action or proceeding relating to any Loan Agreement or the enforcement of rights thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any actual or prospective assignee of or Participant (or such assignee's or Participant's advisors) in any of its rights or obligations under this Agreement, or (g) with the consent of the Borrower. For the purposes of this Section, "**Information**" means all information received from the Borrower or any Loan Party relating to the Borrower, any of the Loan Parties, or their respective businesses, other than Information that (i) is or becomes publicly available other than as a result of a breach of this Section, (ii) is or becomes available to the Lender on a non-confidential basis prior

to disclosure by the Borrower, (iii) was already in the possession of the Lender or not subject to any duty of confidentiality prior to its disclosure by the Borrower or any other Loan Party or (iv) is marked "non-confidential" (or such other words or expression having the same or similar meaning by the Borrower or any other Loan Party). Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information, acting prudently.

11.10 Paramountcy

In the event of any conflict or inconsistency between the provisions of this Agreement and the provisions of any other Loan Agreement, the provisions of this Agreement shall prevail and be paramount. If any covenant, representation, warranty or event of default contained in any other Loan Agreement deals differently with, is in conflict with or is inconsistent with a provision of this Agreement relating to the same specific matter, such covenant, representation, warranty or event of default shall be deemed to be amended to the extent necessary to ensure that it does not deal differently with, is not in conflict with or inconsistent with the provision of this Agreement relating to the same specific matter.


[Signature pages follow]

IN WITNESS WHEREOF, the Lender and the Borrower have caused these presents to be duly executed as of the day and year first above written.

LENDER

ARNAKI LTD.

Per: _____

Authorized Signatory  **ARIEL S BELILO**
DIRECTOR

Address:

Ellen Skelton Building, 3076 Sir Francis Drake Highway,
Road Reef, P.O. Box 765, Road Town, Tortola VG1110,
British Virgin Islands

IN WITNESS WHEREOF, the Lender and the Borrower have caused these presents to be duly executed as of the day and year first above written.

LENDER

ARNAKI LTD.

Per: _____
Authorized Signatory

Address:
Ellen Skelton Building, 3076 Sir Francis Drake Highway,
Road Reef, P.O. Box 765, Road Town, Tortola VG1110,
British Virgin Islands

BORROWER

SOLVAQUA INC.

DocuSigned by:

Chris Tesarski

Per: _____

36B3B233A61B415...

Name: Chris Tesarski

Title: President and Chief Executive Officer

Chief Executive Office Address:

1050, 444 – 5th Avenue SW Calgary, AB T2T 2T8

Attention: Chris Tesarski

Acknowledgement

Each of the undersigned Loan Parties hereby acknowledges and agrees to be bound by the terms and conditions contained in this Agreement, as of the day and year first above written.

CORESOURCE SOLUTIONS LLC

DocuSigned by:
Chris TesarSKI
Per: _____
Name: 3CD3B233A61B415...
Title:

CORESOURCE SOLUTIONS (CANADA) INC.

DocuSigned by:
Chris TesarSKI
Per: _____
Name: 3CD3B233A61B415...
Title:

Exhibit A
**Chief Executive Offices and
Locations of Collateral**

Chief Executive Offices of the Loan Parties:

Canadian Office:

Suite 1050, 444 – 5th Avenue SW
Calgary, AB T2P 2P2

US Office:

Suite 1600, 1600 Broadway
Denver, CO 80202

Mexico City Office:

Paseo de la Reforma 2654, 9th Floor
Miguel Hidalgo Delegation, Col.
Lomas Aitas, 11950 Mexico City, DF

Other Locations of Collateral or place of business or where Inventory and other assets are maintained or stored:

Almaloya del Rio, Mexico
Abilene, TX
Calgary, AB
Grand Forks, AB
Billings, MT
Glenrock, WY
Edmonton, AB
Denver, CO

Exhibit B
Assignment and Assumption

This Assignment and Assumption (the "**Assignment and Assumption**") is dated as of the Effective Date set forth below and is entered into by and between *[Insert name of Assignor]* (the "**Assignor**") and *[Insert name of Assignee]* (the "**Assignee**"). Capitalized terms used but not defined herein shall have the meanings given to them in the Loan Agreement identified below (as amended, the "**Loan Agreement**"), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Loan Agreement, as of the Effective Date inserted by Lender as contemplated below (i) all of the Assignor's rights and obligations in its capacity as a Lender under the Loan Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor and (ii) to the extent permitted to be assigned under Applicable Law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Loan Agreement, any other documents or instruments delivered pursuant thereto or the loan-transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clause (i) and (ii) above being referred to herein collectively as, the "**Assigned Interest**"). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

1. Assignor: _____
2. Assignee: _____
3. Borrower: _____
5. Loan Agreement: _____
6. Assigned Interest: _____

Effective Date: _____, 20____ [**TO BE INSERTED BY LENDER AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.**]

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR
[NAME OF ASSIGNOR]

By: _____
Title:

ASSIGNEE
[NAME OF ASSIGNEE]

By: _____
Title:

ANNEX 1 to Assignment and Assumption
STANDARD TERMS AND CONDITIONS FOR
ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties

Assignor

The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any Security Interest, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Loan Agreement or any other Loan Agreement, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates, any Loan Party or any other Person obligated in respect of any Loan Agreement or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any Loan Party or any other Person of any of their respective obligations under any Loan Agreement.

Assignee

The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Loan Agreement, (ii) it meets all requirements of an assignee under the Loan Agreement (subject to receipt of such consents as may be required under the Loan Agreement), (iii) from and after the Effective Date, it shall be bound by the provisions of the Loan Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, and (iv) it has received a copy of the Loan Agreement, together with copies of the most recent financial statements delivered pursuant to Section 7.7 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Lender; and (b) agrees that (i) it shall, independently and without reliance on the Assignor, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it shall perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a lender.

General Provisions

This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and permitted assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy or by sending a scanned copy by electronic mail shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law governing the Loan Agreement.

Exhibit C
Real Property

None.

Exhibit D
Organizational Matters

Issued and Outstanding Shares:

Corporation	Shareholders	Number and Class Issued
solvAqua Inc.	Chris Tesarski	100 Common Shares

Details of Shareholder Agreement:

None

Rights to repurchase, redeem retire or otherwise acquire issued securities of the Loan Parties:

None

Statutory or contractual pre-emptive rights, ROFR's, anti-dilution or similar rights applicable to any securityholders of the Loan Parties:

None

Rights to purchase securities granted to any Person:

None

Exhibit E
Material Contracts

Description of Material Contracts:

Project Charter for WMS Process Water Recovery with R&R Ready Mix LLC dated April 23, 2020

Project Charter for WMS Process Water Recovery with VivaVentures Inc. dated April 9, 2020

MFD Technology License between CoResource Solutions LLC and Sutherland Separation Systems Inc. dated August 9, 2016

Loan Agreement as between Arnaki Ltd., as lender, and solvAqua Inc., as borrower dated August 31, 2020

Project Charter for WMS Process Water Recovery with The Clear Capital Croup of Companies. dated December 30, 2020

Exhibit F
Intellectual Property

LICENSE AGREEMENTS

License Agreement as between George Sutherland, as patent holder, and CoResource Solutions LLC for an exclusive comprehensive license to the following patent:

REGISTERED PATENTS

Country	Patent No.	Patent Title
United States	7,750,066 B2	Treatment of Aqueous Compositions Containing Contaminants

License Agreement as between Ian Ireland, as provisional patent holder, and CoResource Solutions LLC for an exclusive comprehensive license to the following patent:

PENDING PATENTS

Country	Application No.	Patent Title and Additional Information
United States	62/187,579	Micro-Encapsulating Flocculating Dispersion Water Treatment System

Exhibit G
Litigation

Description of Litigation:

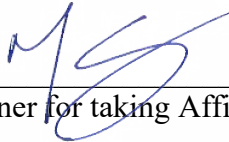
Statement of Claim between Allan John Mahoney, as plaintiff, and solvAqua Inc., CoResource Solutions (Canada) Inc., CoResource Solutions (Canada) Inc. and Chris Tesarski dated June 23, 2020

Claim is for unpaid consulting services - aggregate claim of CDN\$303,712.00, including \$50,000 punitive damages.

Exhibit H
Environmental

None

This is Exhibit "D" referred to in the
Affidavit of Ariel S. Belilo affirmed before
me, this 15th day of August, 2022

A handwritten signature in blue ink, appearing to read 'MS', is written over a horizontal line.

A Commissioner for taking Affidavits, etc.

Michael Crampton, LSO #74512G

LOAN AGREEMENT

by and between

ARNAKI LTD. as Lender

and

SOLVAQUA INC.

as Borrower

Dated: FEBRUARY 1, 2021

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LOAN AGREEMENT

This Loan Agreement dated as of February 1, 2021 is entered into among **ARNAKI LTD.** (the "**Lender**") and **SOLVAQUA INC.**, a corporation organized under the laws of the Province of Alberta (the "**Borrower**") and the other Loan Parties identified on the signature pages hereof.

WHEREAS the Borrower wishes to borrow funds from the Lender to use as set forth herein and the Lender is willing to grant the Loan to the Borrower on the terms and conditions set out in this Agreement;

NOW, THEREFORE, in consideration of the mutual conditions and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree as follows:

ARTICLE 1 - DEFINITIONS

1.1 Definitions

For purposes of this Agreement, the capitalized terms not otherwise defined in this Agreement shall have the respective meanings given to them below:

- (a) "**Accounts**" shall mean all present and future rights of a Loan Party to payment for goods sold or leased or for services rendered, and whether or not earned by performance;
- (b) "**Affiliate**" means, with respect to a specified Person, another Person that directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with the Person specified;
- (c) "**Agreed Currency**" shall have the meaning ascribed thereto in Section 11.6;
- (d) "**Applicable Law**" means (a) any domestic or foreign statute, law, treaty, code, ordinance, rule, regulation, restriction or by-law (zoning or otherwise); (b) any judgement, order, writ, injunction, decision, ruling, decree or award; (c) any regulatory policy, practice, guideline or directive; or (d) any franchise, licence, qualification, authorization, consent, exemption, waiver, right, permit or other approval of any Governmental Authority, binding on or affecting the Person referred to in the context in which the term is used or binding on or affecting the property of such Person; in each case to the extent having the force of law;
- (e) "**Arm's-Length**" shall have the meaning given to that term in the *Income Tax Act* (Canada) as at the date of this Agreement;
- (f) "**ASPE**" means Canadian accounting standards for private enterprises as provided from time to time by the Canadian Institute of Chartered Accountants and applied on a consistent basis;
- (g) "**Assignment and Assumption**" means an assignment and assumption entered into by the Lender and an assignee, in substantially the form of Exhibit B or any other form approved by the Lender;
- (h) "**BIA**" shall mean the *Bankruptcy and Insolvency Act* (Canada), as amended, supplemented, restated and superseded, in whole or in part, from time to time;
- (i) "**Business**" means the business currently carried on by the Borrower and the other Loan Parties, being the treatment of wastewater through the use of proprietary technology;
- (j) "**Business Day**" shall mean a day (other than a Saturday, Sunday or statutory holiday in the Province of Alberta) on which the Lender is open for business in the normal course;
- (k) "**Capital Expenditures**" shall mean, for any fiscal period, any amounts accruing or paid in respect of any purchase or other acquisition for value of capital assets, and for greater certainty, excludes the value of any trade-in exchanged on such purchase and acquisition and amounts expended in respect of (i) the normal repair and maintenance of capital assets in the ordinary course of business, (ii) repair or replacement of capital assets the payment for which is funded by insurance proceeds, (iii) any business acquisition or (iv) capital lease payments;
- (l) "**CCAA**" shall mean the *Companies' Creditors Arrangement Act* (Canada), as amended, supplemented, restated and superseded, in whole or part, from time to time;

- (m) "**CCAA Plan**" shall have the meaning ascribed thereto in Section 7.16;
- (n) "**Change of Control**" means if any person, excluding existing holders of such Equity Interests, acquires, directly or indirectly, alone or in concert with other persons within the meaning of the *Securities Act* (Alberta), over a period of time or at any one time, Equity Interests of a person aggregating in excess of 50% of all of the issued and outstanding Voting Equity Interests; provided that the Borrower shall cause any new shareholder of each Loan Party to provide to the Lender, upon request by the Lender, a pledge of all of such shareholder's shares in the capital of such Loan Party promptly upon becoming a shareholder;
- (o) "**Closing Date**" means the date on which the proceeds of the Loan are advanced to the Borrower by the Lender;
- (p) "**Collateral**" shall mean, collectively, Collateral as such term is defined in the General Security Agreements and all Real Property charged by the Security Interests granted in favour of the Lender from time to time;
- (q) "**Compound Annual Return**" means a compounded annual rate of return of seven (7%) percent on the Outstanding Principal Obligations, assuming the Outstanding Principal Obligations are fully drawn as of the Closing Date, notwithstanding the actual dates on which such advances are made;
- (r) "**Default**" means any event or condition that constitutes an Event of Default or that would constitute an Event of Default except for satisfaction of any condition subsequent required to make the event or condition an Event of Default, including giving of any notice, passage of time, or both;
- (s) "**EDC**" means Export Development Canada;
- (t) "**Environmental Laws**" shall mean with respect to any Person all Applicable Law relating to health, safety, hazardous, dangerous or toxic substances, waste or material, pollution and environmental matters, as now or at any time hereafter in effect, applicable to such Person and/or its business and facilities (whether or not owned by it), including laws relating to emissions, discharges, releases or threatened releases of pollutants, contamination, chemicals, or hazardous, toxic or dangerous substances, materials or wastes into the environment (including, without limitation, ambient air, surface water, ground water, land surface or subsurface strata) or otherwise relating to the generation, manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, chemicals, or hazardous, toxic or dangerous substances, materials or wastes;
- (u) "**Equity Interests**" means (a) in respect of a corporation, shares in its capital stock (including common and preferred shares), (b) in respect of a general partnership or a limited partnership, any partnership interest therein and any interest in the income or capital of or distributions from such partnership, whether any such interest is denominated in units or not; (c) in respect of a trust, any beneficial interest therein or in the assets or income thereof, whether denominated in units or not; and (d) in respect of any other Person, any similar or corresponding interest in its capital, assets or equity; and includes any right, warrant, option or other security conferring a right to acquire any of the foregoing;
- (v) "**Event of Default**" shall mean the occurrence or existence of any event or condition described in Section 8.1 hereof;
- (w) "**Excluded Taxes**" means, with respect to the Lender or any other recipient of any payment to be made by or on account of any obligation of a Loan Party hereunder, (a) taxes imposed on or measured by its capital, net income, and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the laws of which such recipient is organized or in which its principal office is located or, in the case of the Lender, in which its' lending office is located; and (b) any profit taxes or any similar tax imposed by any jurisdiction in which the Lender is located;

- (x) "**Fair Market Value**" means the fair market value of the Borrower (or the Person in question) as determined pursuant to a valuation report by an independent chartered business valuator mutually agreeable to the Lender and the Borrower;
- (y) "**General Security Agreements**" shall mean the general security agreements and hypothecs (if applicable) given by the Loan Parties, as applicable, in favour of the Lender in respect of the Obligations;
- (z) "**Governmental Authority**" means the Government of Canada or any other nation, or any political subdivision thereof, whether provincial, state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government;
- (aa) "**Guarantor**" shall mean any guarantor, endorser, acceptor, surety or other Person liable on or with respect to the Obligations, and including any successors or assigns thereof;
- (bb) "**Hazardous Materials**" shall mean any hazardous, toxic or dangerous substances, materials and wastes, including, without limitation, hydrocarbons (including naturally occurring or man-made petroleum and hydrocarbons), flammable explosives, asbestos, urea formaldehyde insulation, radioactive materials, biological substances, polychlorinated biphenyls, pesticides, herbicides and any other kind and/or type of pollutants or contaminants (including, without limitation, materials which include hazardous constituents), sewage, sludge, industrial slag, solvents and/or any other similar substances, materials, or wastes and including any other substances, materials or wastes that are or become regulated under any Environmental Law (including, without limitation any that are or become classified as hazardous or toxic under any Environmental Law);
- (cc) "**Indemnified Liabilities**" shall have the meaning ascribed thereto in Section 9.2(a) and 9.2(b);
- (dd) "**Indemnified Parties**" shall have the meaning ascribed thereto in Section 9.2(a);
- (ee) "**Indemnified Taxes**" means Taxes other than Excluded Taxes;
- (ff) "**Intellectual Property**" shall mean all issued patents and patent applications, industrial design registrations, trade-marks, registrations and applications therefor, trade-names and styles, logos, copyright registrations and applications therefor which are owned by or licensed to a Loan Party and used in or necessary to the operation of its Business;
- (gg) "**Interest Payment Date**" shall have the meaning subscribed thereto in Section 2.3(b)(i);
- (hh) "**Interest Rate**" means a rate of 7.0 % per annum;
- (ii) "**Inventory**" means inventory of each Loan Party as defined under the PPSA;
- (jj) "**Knowledge of the Borrower**" with respect to any fact or matter referred to herein means that at least Chris Tesarski has, or at any time had knowledge or should reasonably have had knowledge, of that fact or other matter, and such individual will be deemed to have conducted a reasonably comprehensive review of the applicable Loan Party's books, records and information in respect of that fact;
- (kk) "**License**" means any license, permit, authorization, approval or other evidence of authority issued or granted to, conferred upon, or otherwise created for, a Loan Party by any Governmental Authority relating to its Business or required by the Loan Parties to carry on the Business;
- (ll) "**Loan**" shall mean the term loan in an aggregate principal amount of Two Million United States dollars (USD\$2,000,000), to be extended by the Lender to the Borrower pursuant to the terms of this Agreement;
- (mm) "**Loan Documents**" shall mean, collectively, this Agreement, the Security, and all notes, assignments, guarantees, mortgages and other agreements, documents and instruments now or at any time hereafter executed and/or delivered by any Loan Party in connection with this Agreement or the Security, as the same now exist or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced;

- (nn) "**Loan Parties**" means the Borrower, each Guarantor and any other Person which is a party to a Loan Agreement (other than the Lender) and "**Loan Party**" shall mean any one of them as the context may require. For greater certainty, any Subsidiary or future Subsidiary of the Borrower shall be required to be a Loan Party, unless otherwise consented to by the Lender in writing;
- (oo) "**Material Adverse Change**" means any event, development or circumstance that has had or could in the opinion of the Lender reasonably be expected to have a Material Adverse Effect;
- (pp) "**Material Adverse Effect**" means (a) a material negative effect on the business, assets, liabilities, affairs, operations, prospects, operations or condition, financial or otherwise, of the Loan Parties, or (b) any effect on the validity or enforceability of any of the Loan Documents, the priority of the Security Interests created thereby or the rights and remedies of the Lender thereunder or (c) any material negative effect on any Material Contract, or (d) any negative effect on the amount which the Lender would be likely to receive (after giving effect to delays in payment and costs of enforcement) upon the liquidation of the Collateral;
- (qq) "**Material Contracts**" means all contracts and agreements, written or unwritten, which are material to the Loan Parties or to the operation of the Business of the Loan Parties, all of which are listed in Exhibit E hereto, true and complete copies of which have been provided to the Lender;
- (rr) "**Maturity Date**" shall mean September 1, 2021;
- (ss) "**Notice of Termination**" shall have the meaning ascribed thereto in Section 8.2(b);
- (tt) "**Obligations**" shall mean the Loan and all other obligations, liabilities and indebtedness of every kind, nature and description owing by any Loan Party to the Lender or its Affiliates, including principal, interest, charges, fees, costs and expenses, however evidenced, whether as principal, surety, endorser, guarantor or otherwise, arising under this Agreement or the other Loan Documents, whether now existing or hereafter arising, whether arising before, during or after the initial or any renewal term of this Agreement or after the commencement of any proceeding with respect to any Loan Party under the BIA, the CCAA, or any similar statute in any jurisdiction (including the payment of interest and other amounts which would accrue and become due but for the commencement of such proceeding, whether or not such amounts are allowed or allowable in whole or in part in such proceeding), whether direct or indirect, absolute or contingent, joint or several, due or not due, primary or secondary, liquidated or unliquidated, secured or unsecured, and however acquired by the Lender or its Affiliates;
- (uu) "**Other Currency**" shall have the meaning ascribed thereto in Section 11.6;
- (vv) "**Other Taxes**" means all present or future documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or under any other Loan Agreement or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement or any other Loan Agreement, other than Excluded Taxes;
- (ww) "**Outstanding Principal Obligations**" means, at any time, the aggregate Loan amount pursuant to paragraph 2.1 below, plus all capitalized interest or overdue interest, less any and all payments of principal made in reduction of such amount;
- (xx) "**Pension Plans**" shall mean all benefit plans providing pensions, superannuation benefits or retirement savings, including pension plans, top up pensions or supplemental pensions, "registered retirement savings plans" (as defined in the *Income Tax Act* (Canada)), "registered pension plans" (as defined in the *Income Tax Act* (Canada)) and "retirement compensation arrangements" (as defined in the *Income Tax Act* (Canada)) which a Loan Party sponsors or administers or into which a Loan Party makes contributions;
- (yy) "**Permitted Debt**" means (a) the Obligations; (b) trade obligations, Taxes, governmental duties and charges and normal accruals in the ordinary course of business not past due, or with respect to which a Loan Party is contesting the amount or validity thereof by appropriate proceedings diligently pursued and available to such Loan Party, and with respect to which adequate reserves (to the extent required in accordance with ASPE) have been set aside on its books; (d) purchase money indebtedness (including capital leases) to the extent not incurred or secured by Security

Interests (including capital leases) in violation of any other provision of the Loan Documents, or if such purchase money indebtedness (including capital leases) is secured, such indebtedness does not exceed in aggregate \$100,000 Cdn;

(zz) "**Permitted Disposition**" means:

- (i) sales or dispositions of Inventory in the ordinary course of business;
- (ii) a sale or disposition in the ordinary course of business and in accordance with sound industry practice of property that is obsolete, no longer used or useful for its intended purpose or is being replaced in the ordinary course of business;
- (iii) disposals of assets between Loan Parties;
- (iv) disposals of defaulted Accounts in order to realize on them in a commercially responsible manner; or
- (v) sales, exchanges and other dispositions of short term investments in securities in the ordinary course of business;

(aaa) "**Permitted Liens**" means (a) Security Interests of the Lender under or pursuant to this Agreement and any other Loan Agreement; (b) Security Interests securing the payment of Taxes, either not yet overdue or the validity of which are being contested by appropriate proceedings diligently pursued and available to a Loan Party and with respect to which adequate reserves (to the extent required in accordance with ASPE) have been set aside on its books; (c) non-consensual statutory deemed trusts and Security Interests (other than Security Interests securing the payment of Taxes) arising in the ordinary course of a Loan Party's business to the extent: (i) such Security Interests secure indebtedness which is not overdue or the validity of which is being contested by appropriate proceedings diligently pursued and available to a Loan Party and with respect to which adequate reserves (to the extent required in accordance with ASPE) have been set aside in its books or (ii) such Security Interests secure indebtedness relating to claims or liabilities which are fully insured and being defended at the sole cost and expense and at the sole risk of the insurer or being contested by appropriate proceedings diligently pursued and available to a Loan Party, in each case prior to the commencement of foreclosure or other similar proceedings and with respect to which adequate reserves (to the extent required in accordance with ASPE) have been set aside on its books; (d) zoning restrictions, easements, minor title defects, encumbrances, licenses, covenants, rights reserved by Governmental Authorities, reservations of the Crown and other restrictions affecting the use of real property which do not interfere in any material respect with the ordinary conduct of the business of a Loan Party; (e) purchase money security interests in personal property (including capital leases) not to exceed \$100,000 in the aggregate at any time outstanding so long as such Security Interests do not apply to any property of a Loan Party other than the personal property so acquired, any insurance related thereto and proceeds thereof and the indebtedness secured thereby does not exceed the cost of the personal property or real estate so acquired, as the case may be; (f) Security Interests over cash and/or investments permitted by this Agreement; (g) Security Interests given by a Loan Party to a surety pursuant to a surety bond or indemnity agreement but only to the extent that such security secures indebtedness that only relates to a bond or indemnity agreement issued by a surety for a project and such security is limited to the specific assets of such project over assets that do not constitute Collateral; (h) any carrier's, warehousemen's, mechanic's and construction and other Security Interests arising by contract or operation of Applicable Law in the ordinary course of a Loan Party's business in respect of obligations which are not overdue for a period in excess of thirty (30) days or which are being contested by appropriate proceedings diligently pursued; (i) deposits of cash or securities in connection with any appeal, review or contestation of any security or Security Interest and any bonding arrangements made in the ordinary course of business to secure the performance of bids, tenders, contracts, leases, customs duties and other similar obligations; (j) banker's Security Interests, rights of combination of accounts or similar rights in the ordinary course of conducting day-to-day banking business in relation to deposit accounts or other funds maintained with a creditor depository institution; (k) the reversionary interests of landlords under operating leases of real property and the tenancy rights of tenants under operating leases of real property; (l) Security

Interests in favour of securities intermediaries and clearing agencies relating to the operation of securities accounts and security entitlements credited thereto arising in the ordinary course of maintaining such securities accounts and acquiring, owning or disposing such security entitlements; (m) such other Security Interests securing such obligations as may be approved by the Lender from time to time; (n) Security Interests securing Permitted Debt; and (o) the replacement, extension, modification or renewal of any Security Interest referred to in this definition upon or in respect of the same property arising out of the extension, renewal, modification or replacement of the indebtedness secured thereby (without increase in the amount thereof), provided that the Lender may contest improperly registered security interests or liens in the event such registered creditors attempt to realize on their security;

- (bbb) "**Person**" or "**person**" shall mean any individual, sole proprietorship, partnership, limited partnership, corporation, limited liability company, unlimited liability company, business trust, unincorporated association, joint stock corporation, trust, joint venture or other entity or any Governmental Agency, as applicable;
- (ccc) "**PPSA**" shall mean the *Personal Property Security Act* (Alberta), as amended, supplemented, restated and superseded, in whole or in part, from time to time, provided that, if the attachment, perfection or priority of the Lender's security in respect of any Collateral is governed by the laws of any jurisdiction other than Alberta, PPSA shall mean those other laws for the purposes hereof relating to such attachment, perfection or priority;
- (ddd) "**Prepayment Date**" means the date that is 60 days following the Closing Date;
- (eee) "**Prepayment Notice**" means an irrevocable written notice by the Borrower to the Lender of its desire to make a prepayment in accordance with the terms of the this Agreement, and indicating the amount of such prepayment;
- (fff) "**Real Property**" means any freehold or other interest in real and immovable property owned or leased by any Loan Party in connection with the operation of the Business or otherwise from time to time, including all plants, buildings, parking lots, roadways, structures, improvements, fixed machinery or equipment and fixtures situate on, or forming part of, such lands and premises, all as described in Exhibit C hereto;
- (ggg) "**Receiver**" shall have the meaning ascribed thereto in Section 8.2(d);
- (hhh) "**Records**" shall mean each Loan Party's present and future books of account of every kind or nature, purchase and sale agreements, invoices, ledger cards, bills of lading and other shipping evidence, statements, correspondence, memoranda, credit files and other data relating to the Collateral or any account debtor, together with the tapes, disks, diskettes and other data and software storage media and devices, file cabinets or containers in or on which the foregoing are stored (including any rights of the applicable Loan Party with respect to the foregoing maintained with or by any other Person);
- (iii) "**Regulatory Approval**" means all the approvals, consents, rulings, authorizations, notices, permits or acknowledgements that are required from any Person pursuant to Applicable Law or under the terms of any License or the conditions of any order in connection with the carrying on of Business by the Loan Parties as it is presently conducted or as may be properly conducted at the relevant time;
- (jjj) "**Related Parties**" means, with respect to any Person, such Person's Affiliates and the directors, shareholders, partners and senior officers of such Person and the Affiliates thereof, as well as any person which is not at Arm's-Length from a Loan Party, and "**Related Party**" means any one of them;
- (kkk) "**Restricted Payment**" means:
 - (i) the declaration, payment or setting aside for payment of any dividend or other distribution on or in respect of any shares in the capital of the Borrower or any other Loan Party (including distributions of interest on preferred shares and any return of capital on shares of any class);

- (ii) the redemption, retraction, purchase, retirement or other acquisition, in whole or in part, of any shares in the capital of the Borrower or any other Loan Party, or any securities, instruments or contractual rights capable of being converted into, exchanged or exercised for shares in the capital thereof, including, without limitation, options, warrants, conversion or exchange privileges and similar rights;
 - (iii) except as otherwise expressly permitted in this Agreement, the making of any loan or advance or any other provision of credit or financial assistance by the Borrower or any other Loan Party to any Related Party;
 - (iv) the repurchase or payment of any principal, interest, fees or other amounts on or in respect of any loans, advances or other Debt owing at any time by the Borrower or any other Loan Party to any Related Party, other than to the Borrower or a Loan Party;
 - (v) (i) the payment of any amount, (ii) the sale, transfer, lease or other disposition of any assets, or (iii) any granting or creation of any rights or interests, at any time, by the Borrower or another Loan Party to or in favour of any Related Party, other than to the Borrower or another Loan Party, except reasonable compensation to officers, employees and directors for services rendered to a Loan Party in the ordinary course of business;
 - (vi) the payment of any compensation, management, consulting or similar fee or any bonus payment or comparable payment, or by way of gift or other gratuity, to any Related Party of such person, except reasonable compensation to officers, employees and directors for services rendered to a Loan Party in the ordinary course of business; or
 - (vii) payment for the purpose of setting apart any property for a sinking, defeasance or other analogous fund for any of the payments referenced above,
- and whether any of the foregoing is made, paid or satisfied in or for cash, property or any combination thereof;

- (III) **"Sale of the Borrower"** means the sale to a third party:
 - (i) by the Borrower of 50% or more, calculated by and according to the then Fair Market Value, of the assets of the Borrower or any Affiliate or Subsidiary holding material assets; or
 - (ii) by any one or more of the shareholders of the Borrower of 50% or more (by votes) of the voting shares of the Borrower; or
 - (iii) by the Borrower of 50% or more (by votes) of the voting shares of any of its Subsidiaries;
- (mmm) **"Security"** means, collectively, the General Security Agreements, pledge agreements, guarantees, assignments and other security agreements, instruments and documents executed and delivered, or required to be executed and delivered, by the Borrower and each other Loan Party under and pursuant to this Agreement, in each case, with such modifications and insertions as may be required by the Lender, acting reasonably;
- (nnn) **"Security Interest"** means mortgages, charges, pledges, hypothecs, assignments by way of security, conditional sales or other title retentions, Security Interests, encumbrances, security interests or other interests in property, howsoever created or arising, whether fixed or floating, perfected or not, which secure payment or performance of an obligation and, including, in any event:
 - (i) deposits or transfers of cash, marketable securities or other financial assets under any agreement or arrangement whereby such cash, securities or assets may be withdrawn, returned or transferred only upon fulfilment of any condition as to the discharge of any other indebtedness or other obligation to any creditor;
 - (ii) rights of set-off;
 - (iii) the rights of lessors under capital leases or loans, operating leases and any other lease financing; and

- (iv) absolute assignments of accounts receivable;
- (ooo) "**Subsidiaries**" or "**Subsidiary**" shall mean, with respect to any Person, any corporation, partnership or other entity of which at least fifty (50%) percent of the securities or other ownership interests having by the terms thereof ordinary voting power to elect a majority of the board of directors or other persons performing similar functions of such corporation, partnership or other entity (irrespective of whether or not at the time securities or other ownership interests of any other class or classes of such corporation, partnership or other entity shall have or might have voting power by reason of the happening of any contingency) is at the time directly or indirectly owned or controlled by such Person or one or more Subsidiaries of such Person. The Borrower has no Subsidiaries as at the Closing Date;
- (ppp) "**Taxes**" means all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed, levied, collected, withheld or assessed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto;
- (qqq) "**Voting Equity Interests**" means capital stock of any class of any corporation or other Equity Interests of any other person which carries voting rights to elect the board of directors (or in respect of a person other than a corporation, other persons performing similar functions, including the control, management or direction of such person) under any circumstances.

1.2 Interpretation

All terms used herein which are defined in the PPSA shall, to the extent the context so admits, have the meanings given therein unless otherwise defined in this Agreement. All references to the plural herein shall also mean the singular and to the singular shall also mean the plural unless the context otherwise requires. All references to the Loan Parties and the Lender pursuant to the definitions set forth in the recitals hereto, or to any other Person herein, shall include their respective successors and assigns. The words "hereof", "herein", "hereunder", "this Agreement" and words of similar import when used in this Agreement (including the Exhibits or Schedules hereto) shall refer to this Agreement as a whole and not any particular provision of this Agreement and as this Agreement now exists or may hereafter be amended, modified, supplemented, extended, renewed, restated or replaced. The word "including" when used in this Agreement shall mean "including, without limitation". References herein to any statute or any provision thereof include such statute or provision as amended, revised, re-enacted and/or consolidated from time to time and any successor statute thereto. An Event of Default shall exist or continue or be continuing until such Event of Default is waived in accordance with Section 10.3 or is cured to the satisfaction of the Lender, if such Event of Default is capable of being cured as determined by the Lender. Any accounting term used herein unless otherwise defined in this Agreement shall, unless the context otherwise requires, have the meanings customarily given to such term in accordance with ASPE. Canadian Dollars and the sign "\$" mean lawful currency of Canada. All monetary amounts referred to in this Agreement are in Canadian Dollars unless otherwise stated.

ARTICLE 2 - LOAN, INTEREST AND FEES

2.1 The Loan

Subject to fulfilment of each of the conditions precedent set out in Section 3.1 hereof, the Lender has agreed to extend to the Borrower a term loan in an aggregate face value principal amount of Two Million United States dollars (USD\$2,000,000). 75% of the Loan shall be advanced to the Borrower by the Lender in full on the Closing Date. Net proceeds of the Loan, after deducting issue expenses, shall be used by the Borrower for the following as listed below (all funds listed in USD), and for no other purpose without the prior written consent of the Lender.

TOTAL USE OF NET PROCEEDS \$1,500,000 USD

- **One 25,000 bpd WMS + ONE WFRD Desal = \$1,100,000 US EXW Manufacturer**
 - **PLUS TWO Micro-Commercial Systems**
- **Site Acceptance Test and Client Training = \$25,000 US per WMS + Desal = \$100,000 US**
- **THREE months chemicals WMS = bbl (85% utilization \$0.20/bbl) = \$200,000 USD**
- **Back-Flushable Filter = \$50,000 USD**
- **All duties, custom brokerage and contingency = \$50,000 US**

2.2 Promise to Pay

For value received, the Borrower hereby promises that it shall repay the Outstanding Principal Obligations and all interest and other amounts that may become due and owing to the Lender pursuant to the terms set out in this Agreement.

2.3 Repayment of Loan

(a) Principal

- (i) Subject to the provisions of this Agreement, the Outstanding Principal Obligations shall be repaid to the Lender in full on the Maturity Date.
- (ii) In addition, all accrued and unpaid interest on the Outstanding Principal Obligations and all fees and other amounts due and payable hereunder shall be repaid to the Lender on the Maturity Date.

(b) Interest

- (i) Subject to Section 2.8, the Borrower agrees that interest shall accrue and be calculated and paid quarterly in advance on the Outstanding Principal Obligations at the Interest Rate, on each of **January 1st, April 1st, July 1st and October 1st** of each calendar year, or if such day is not a Business Day, the first Business Day of such month (each an "**Interest Payment Date**"), commencing on the Closing Date and up to and including the Maturity Date and, both before and after demand and before and after default, judgment and execution from the date thereof until payment in full of all amounts owing to the Lender hereunder have been paid in accordance with terms of Section 2.3(a) hereof. The first interest payment shall be made on the Closing Date (and may be deducted by the Lender from the first advance of the Loan) and shall include all interest payable from the date of advance up to and including the first Interest Payment Date. Interest shall be paid in advance on a **quarterly** basis thereafter.
- (ii) Notwithstanding any other provision of this Agreement, if all or any portion of any amount due hereunder (including any amounts of principal or interest, and any fee or other amount payable) is not paid when due, whether at stated maturity, by acceleration or otherwise, the Borrower shall pay interest on such overdue amount (including interest on interest) at the Interest Rate if, and to the fullest extent, permitted by Applicable Law, from the date that such amount is due until the date that such amount is paid in full (but excluding the date of such payment if the payment is made before 1:00 p.m. (Calgary time) to the Lender on the date of such payment).

2.4 Payments by the Borrower

Any payment by the Borrower on account of any amount due and payable by it hereunder, whether on account of principal, interest, premiums, fees, costs and expenses or otherwise, shall be made by the Borrower to the Lender and no such payment by the Borrower shall be effective until such time as it is received by the Lender. Whenever any payment hereunder shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of interest or fees, as the case may be, payable on such date. All payments to be made by the Borrower to the Lender shall be in immediately available funds and received by the Lender no later than 1:00 p.m. (MST) on the date of payment in order to obtain same day credit. Any such payment so received after such time on such date shall be deemed to have been paid on, and shall be credited on the next following Business Day. Any interest on any portion of the Loan which is not paid when due shall bear interest as if such unpaid interest was an unpaid principal amount under the Loan. All payments received by the Lender shall be applied by the Lender to pay, in reverse order of maturity, all interest on overdue interest, all interest payments due and owing and Outstanding Principal Obligations, in that order.

2.5 Optional Prepayment

- (a) The Borrower may not prepay any amounts under this Agreement prior to the Prepayment Date.

- (b) On the Prepayment Date, the Borrower shall have the right, when not in default under this Agreement, to prepay the then Outstanding Principal Obligations and all capitalized, accrued and unpaid interest thereon up to the date of prepayment, provided the Borrower delivers to the Lender a Prepayment Notice at least five (5) Business Days prior to the Prepayment Date.
- (c) Any repayments under this paragraph shall be applied by the Lender to prepay, in reverse order of maturity, all interest on overdue interest, all accrued interest, whether or not due, all interest payments due and owing, all Outstanding Principal Obligations, in that order.
- (d) The notice provisions and provisions as to application of prepayment monies in reverse order of maturity as set out in this Section 2.5 shall also apply *mutatis mutandis* to partial prepayments.

2.6 Mandatory Prepayment

At the option of the Lender, any proceeds from or attributable to any Sale of the Borrower shall, unless the Lender otherwise agrees, be applied by the Borrower (or Lender), as applicable, to prepay any capitalized, accrued and unpaid interest and the then Outstanding Principal Obligations, in that order.

2.7 Advance of Loan

The Borrower agrees that neither the execution, nor registration, of any of the Security, nor the advancing in part of the Loan, shall bind the Lender to advance the Loan or any un-advanced portion thereof. The advance of the Loan or any part thereof shall be in the sole discretion of the Lender.

2.8 Interest and Loan Charges Not to Exceed Maximum Allowed by Law

Notwithstanding any other provision of this Agreement or any of the Loan Documents, in no event shall the aggregate "interest" (as that term is defined in Section 347 of the *Criminal Code* (Canada)) received by or payable to the Lender in connection with the transactions contemplated in this Agreement and the Loan Documents, exceed the effective annual rate of interest on the "credit advanced" (as defined therein) lawfully permitted under that section. The effective annual rate of interest shall be determined in accordance with generally accepted accounting practices and principles over the term that the principal amount of the Loan is outstanding and in the event of a dispute, a certificate of a Fellow of the Canadian Institute of Actuary appointed by the Lender shall be conclusive for the purposes of such determination. The parties hereto do not intend that the aggregate interest payable in connection with the transactions contemplated under the Loan Documents shall exceed such lawfully permitted rate or amount. Notwithstanding anything to the contrary herein contained, if the aggregate interest payable hereunder exceeds such lawfully permitted rate or amount, the rate and the amount of interest on the principal hereof shall be deemed to have been adjusted with retroactive effect to the maximum rate and amount permitted by law, such adjustment to be effected, to the extent necessary (but only to the extent necessary), as follows: first, by reducing the amount or rate of interest, and, thereafter, by reducing any fees, commissions, expenses, premiums and other amounts required to be paid to the Lender which would constitute "interest" (as that term is defined in Section 347 of the *Criminal Code* (Canada)). Further, the Lender shall be entitled to defer the timing of receipt or vary the manner of payment of any interest or amounts paid or payable to the Lender in connection with the transactions contemplated hereunder or thereunder, or to otherwise vary the terms pursuant to which such interest or any portion thereof or any other amount shall be paid to the Lender so that such payment shall not be in violation of Applicable Law. If such payments, regardless of timing, are determined to be contrary to the provisions of Section 347 of the *Criminal Code* (Canada), such payment, collection or demand shall be deemed to have been made by mutual mistake of the Borrower and the Lender and the amount of such payment or collection shall be refunded to the Borrower.

2.9 Interest Act (Canada)

Whenever a rate of interest or other rate per annum hereunder is calculated 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 or other rate shall be expressed as a yearly rate for purposes of the *Interest Act* (Canada) by multiplying such rate of interest or other rate by the actual number of days in the calendar year of calculation and dividing it by the number of days in the deemed year.

Whenever a rate of interest or other rate per annum hereunder is expressed or calculated on the basis of a year of 360 days, such rate of interest or other rate shall be expressed as a rate per annum, calculated on the basis of a 365 day year, by multiplying such rate of interest or other rate by 365 and dividing it by 360.

2.10 Nominal Rates; No Deemed Reinvestment

The principle of deemed reinvestment of interest shall not apply to any interest calculation under this Agreement. All interest payments to be made hereunder shall be paid without allowance or deduction for deemed reinvestment or otherwise, before and after maturity, default and judgment. The rates of interest specified in this Agreement are intended to be nominal rates and not effective rates. Interest calculated hereunder shall be calculated using the nominal rate method and not the effective rate method of calculation.

2.11 Waiver

To the extent permitted by Applicable Law, the covenant of the Borrower to pay interest at the rates provided herein shall not merge in any judgment relating to any obligation of the Borrower to the Lender and any provision of the *Interest Act* (Canada) which restricts any rate of interest set forth herein shall be inapplicable to this Agreement and is hereby waived by the Borrower.

ARTICLE 3 - CONDITIONS PRECEDENT

3.1 Conditions Precedent to Loan

Each of the following is a condition precedent to the Lender making the Loan hereunder:

- (a) the Lender shall have completed, and be satisfied with, in its sole discretion, its due diligence review with respect to the Borrower and other Loan Parties, such due diligence review to include access to any auditors, consultants or other professionals engaged by the Borrower or any other Loan Party;
- (b) this Agreement and all other Loan Documents and such other documents, agreements, instruments and certificates relating to the Loan Parties as the Lender reasonably requires, shall have been duly executed and delivered by all parties thereto, to the Lender, in form and substance satisfactory to the Lender;
- (c) the Lender shall have received evidence in form and substance satisfactory to the Lender, that the Lender has valid registered, perfected Security Interests upon the Collateral and any other property which is intended to be security for the Obligations or the liability of any Loan Party in respect thereof, in such priority as agreed by the Lender, subject only to Permitted Liens;
- (d) all requisite corporate action and proceedings in connection with this Agreement and the other Loan Documents shall be satisfactory in form and substance to the Lender, and the Lender shall have received all information and copies of all documents, including, without limitation, certificates of incumbency of each of the Loan Parties, records of requisite corporate action and proceedings which the Lender may have requested in connection therewith (including but not limited to approval of the Loan Documents and the securities to be issued upon conversion of this Agreement), such documents where requested by the Lender or its counsel to be certified by appropriate corporate officers or Governmental Authorities;
- (e) no Material Adverse Change shall have occurred since September 30, 2020;
- (f) the Lender shall have received and be satisfied with any shareholders' agreements, voting trust agreements, joint venture agreements, partnership agreements or any similar type agreements relating to the Loan Parties, if any;
- (g) the Lender shall be satisfied with and shall have reviewed and approved copies of all existing and proposed Material Contracts;
- (h) evidence of EDC insurance over the Borrower's receivables in the minimum amount of \$2,000,000 USD, and evidence of assignment of same to and in favor of Lender, on terms acceptable to the Lender;
- (i) the Lender shall have received, in form and substance satisfactory to the Lender in its sole discretion, the most recent financial data of the Borrower and the other Loan Parties, as applicable and required by the Lender;

- (j) the Lender shall have received, in form and substance satisfactory to the Lender, all consents, waivers, acknowledgments and other agreements from third Persons which the Lender may deem necessary or desirable, in order to permit, protect and perfect its Security Interests upon the Collateral or to effectuate the provisions or purposes of this Agreement and the other Loan Documents;
- (k) the Lender shall have received evidence of insurance and loss payee endorsements required hereunder and under the other Loan Documents, in form and substance satisfactory to the Lender, and certificates of insurance policies and/or endorsements naming the Lender as loss payee and additional insured, as applicable;
- (l) the Lender shall have received, in form and substance satisfactory to the Lender, such opinion letters of counsel to the Borrower and the Loan Parties with respect to the Loan Documents and such other matters as the Lender may request;
- (m) all representations and warranties contained herein and in the other Loan Documents shall be true and correct in all material respects with the same effect as though such representations and warranties had been made on and as of the date of the making of the Loan and after giving effect thereto; and
- (n) no Event of Default shall exist or have occurred and be continuing on and as of the date of the making of any advance of the Loan and after giving effect thereto.

ARTICLE 4 - COLLATERAL REPORTING AND COVENANTS

4.1 Verification of Collateral

The Lender or a Receiver authorized by the Lender, shall have the right, from time to time, so long as there are any outstanding Obligations, to verify the existence, state and value of the Accounts and Inventory and the Records, systems and business in general of the Borrower, in any manner the Lender may, acting reasonably, consider appropriate.

ARTICLE 5 - SECURITY

5.1 Security

The Borrower and each Loan Party shall execute and deliver the Security to which it is a party. In addition, the Borrower and each Loan Party shall execute and deliver, or shall cause to be executed and delivered, all such guarantees and mortgages, assignments and other agreements and instruments as may be required by the Lender, acting reasonably (each in form and substance satisfactory to the Lender, acting reasonably) in order to, or to more effectively, charge in favour of the Lender, grant or perfect Security Interests in favour of the Lender in, to and against all present and future real and personal property, assets and undertakings of the Borrower or a Loan Party as continuing collateral security for the payment and performance by the Borrower of all Obligations.

5.2 Registration

The Lender shall, at the Borrower's expense, register, file or record the Security in all offices where such registration, filing or recording is necessary or of advantage to the creation, perfection and preserving of the security applicable to it. The Lender (or the Borrower on request of the Lender) shall amend and renew such registrations, filings and recordings from time to time as and when required to keep them in full force and effect or to preserve the priority established by any prior registration, filing or recording thereof and promptly furnish to the Lender proof of the foregoing.

5.3 Forms

The forms of Security shall have been or be prepared based upon the laws of Canada and the laws of the relevant Provinces or such other Applicable Laws as the Lender and its counsel has determined, in each case, in effect at the date hereof. The Lender shall have the right to require that:

- (a) any such Security be amended to reflect any changes in such laws, whether arising as a result of statutory amendments, court decisions or otherwise, in order to confer upon the Lender the Security Interests intended to be created thereby; and

- (b) the Borrower and any other Loan Parties execute and deliver to the Lender such other and further mortgages, trust deeds, assignments and security agreements as may be reasonably required to ensure that the Lender holds, subject to Permitted Liens, its' priority and perfected Security Interests on and against all present and future property, assets and undertakings of the Borrower and the other Loan Parties;

except that in no event shall the Lender require that the foregoing be effected if the result thereof would be to grant the Lender greater rights than is otherwise contemplated herein or therein.

5.4 Continuing Security

Each item or part of the Security shall for all purposes be treated as a separate and continuing collateral security and shall be deemed to have been given in addition to and not in place of any other item or part of the Security or any other security now held or hereafter acquired by the Lender. No item or part of the Security shall be merged or be deemed to have been merged in or by this Agreement or any documents, instruments or acknowledgements delivered hereunder, or any simple contract debt or any judgment, and any realization of or steps taken under or pursuant to any security, instrument or agreement shall be independent of and not create a merger with any other right available to the Lender under any security, instruments or agreements held by it or at law or in equity.

5.5 Dealing with Security

The Lender may grant extensions of time or other indulgences, take and give up securities (including the Security or any part or parts thereof), accept compositions, grant releases and discharges and otherwise deal with the Borrower, the Loan Parties, and other parties and with security (including without limitation, the Security and each part thereof) as the Lender may see fit, without prejudice to or in any way limiting the liability of the Borrower or a Loan Party or any of their respective Subsidiaries under this Agreement or the other Loan Documents or under any of the Security or any other collateral security.

5.6 Discharge and Release of Security

Subject to the following sentence, the Loan Parties, or any of them, shall not be discharged from the Security or any part thereof except pursuant to a written release and discharge or other document to like effect signed by the Lender. If any Loan Party transfers any Collateral in any manner not prohibited by this Agreement or the other Loan Documents, such Loan Party shall be entitled to obtain a release and discharge of the Security with respect to such Collateral. If a Loan Party creates or permits to subsist a lien or security interest referred to in paragraphs (e), (f) or (g) of the definition of Permitted Lien, such Loan Party shall be entitled to obtain a subordination of the Lender's Security Interests to the property subject to such Permitted Lien.

Following all of the outstanding Obligations having been permanently repaid, paid, satisfied and discharged in full and the Loan having been fully, permanently and irrevocably cancelled, the interest of the Lender in the Security shall be released and discharged.

ARTICLE 6 - REPRESENTATIONS AND WARRANTIES

6.1 Representations and Warranties

To induce the Lender to enter into this Agreement, the Borrower and each Loan Party hereby represents and warrants to the Lender as follows, and each acknowledge and agree that the Lender is relying upon the representations and warranties and the truth and accuracy thereof, as a continuing condition of the making and continuance of the Loan by the Lender to the Borrower:

- (a) **Organization; Powers.** The Borrower and each other Loan Party is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now and formerly conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where such qualification is required.
- (b) **Authorization; Enforceability.** The transactions contemplated by the Loan Documents are within each Loan Party's corporate powers and have been duly authorized by all necessary corporate and, if required, shareholder action. This Agreement and the other Loan Documents have been duly

executed and delivered by the Borrower and each other Loan Party thereto and constitute legal, valid and binding obligations of the Borrower and each other Loan Party thereto, enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency, reorganisation, moratorium or other Applicable Laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

- (c) **Approvals; No Conflicts.** The transactions contemplated by the Loan Documents: (a) do not require any consent or approval of, registration or filing with, notice to be provided to, or any other action by, any Governmental Authority; (b) do not require any consent or approval of, registration or filing with, notice to be provided to, or any other action by, any party to a License or Regulatory Approval granted to any Loan Party to avoid the breaching of or loss of such License or Regulatory Approval; (c) will not violate any Applicable Law or the charter, by-laws or other organizational documents of the Borrower or any other Loan Party or any order of any Governmental Authority; and (d) will not result in the creation or imposition of any Security Interest on any assets or undertakings of the Borrower or any other Loan Party, except for any Security Interest arising in favour of the Lender under the Loan Documents.
- (d) **Litigation.** Except as set forth in 0, there are no actions, suits, counterclaims or proceedings (including any tax-related matter) by any Person or investigation by any Governmental Authority pending against or, to the Knowledge of the Borrower, threatened against or affecting the Borrower or any of the other Loan Parties: (i) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected, individually or in the aggregate, to have a Material Adverse Effect; or (ii) that involve this Agreement, any other Loan Agreement, or the transactions contemplated herein or therein.
- (e) **Compliance with Applicable Laws.** The Borrower and each Loan Party is in compliance with all Applicable Law, except to the extent failure to so comply would not reasonably be expected to have a Material Adverse Effect.
- (f) **Taxes.** The Borrower and each other Loan Party has timely filed or caused to be filed all tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it (including all instalments with respect to the current period) and has made adequate provision for Taxes for the current period, except Taxes that are being contested in good faith by appropriate proceedings and for which the Borrower or such other Loan Party, as applicable, has set aside on its books adequate reserves.
- (g) **Title to Personal Property.** The Borrower and each other Loan Party have title to their respective owned personal properties, and with respect to leased personal properties, title to the leasehold estate with respect thereto, pursuant to valid and enforceable leases, free and clear of all Security Interests except Permitted Liens.
- (h) **Subsidiaries.** No Loan Party has any Subsidiaries or Affiliates except as set forth in Exhibit D.
- (i) **Share Capital and Organizational Matters.** The issued and outstanding share capital of the Loan Parties is detailed accurately in Exhibit D, and other than those rights granted to the Lender pursuant to this Agreement, there exist no other rights, options or entitlements of any Person to acquire any shares, warrants, options or other rights in the capital stock of the Loan Parties. All shareholders owning, directly or indirectly, issued and outstanding shares of the Loan Parties are listed in Exhibit D. None of the Loan Parties are subject to any obligation (contingent or otherwise) to repurchase, redeem, retire or otherwise acquire any of its issued securities or any warrants, options or other rights to acquire its securities other than as set forth in as Exhibit D. As of the date hereof, all of the outstanding securities of the Loan Parties are validly issued, fully paid and non-assessable. Except as set forth in Exhibit D, there are no statutory or contractual preemptive rights, rights of first refusal, anti-dilution rights or any similar rights held by security holders of any Loan Party. None of the Loan Parties have violated any applicable securities laws in connection with the offer, sale or issuance of any of its securities. There are no agreements among shareholders of the Loan Parties with respect to any other aspects of the Loan Parties' affairs, other than the agreements described in Exhibit D. There is no agreement, option, understanding or commitment, or any right or privilege capable of becoming an agreement, for the

purchase from the Loan Parties of any of their respective securities other than those set forth in as Exhibit D. There are no other provisions in the Articles, By-laws or any other agreement affecting the Borrower or any Loan Party requiring any vote or consent of the shareholders of any Loan Party to borrow money or to authorize the mortgage or pledge of or creation of any other Security Interest in any of its assets or undertakings, or to provide any guarantee contemplated hereunder, except the agreements described in Exhibit E. Such power is vested exclusively in the board of directors of each Loan Party.

- (j) **Financial Statements; No Material Adverse Change.** All financial statements relating to each Loan Party which have been or may hereafter be delivered by a Loan Party to the Lender have been prepared in accordance with ASPE and fairly present the financial condition and the results of operations of such Loan Party as at the dates and for the periods set forth therein. Except as disclosed in any interim financial statements furnished by a Loan Party to the Lender prior to the date of this Agreement, there has been no Material Adverse Change affecting any of the Loan Parties since the date of the most recent audited financial statements furnished by such Loan Party to the Lender prior to the date of this Agreement. There are not and there have not been, any off-balance sheet transactions or transactions between any of the Borrower and any member of the Loan Parties or its Affiliates that are not otherwise reflected in the annual financial statements and the interim financial statements thereof, as applicable.

Since September 30, 2020, there has been no event, development or circumstance that has had or could reasonably be expected to have a Material Adverse Effect.

- (k) **Chief Executive Office; Collateral Locations.** The chief executive office and head office of each Loan Party including each Loan Party's Records concerning Accounts are located only at the addresses set forth in 0 hereto and their only other places of business and the only other locations of Collateral, if any, are the addresses set forth in 0, subject to the right of the Borrower to update the 0 accordingly. 0 correctly identifies any of such locations which are not owned by a Loan Party and sets forth the owners and/or operators thereof.

- (l) **Real Property.** Exhibit C sets out the legal descriptions and municipal addresses of all Real Property owned or leased by the Borrower and any other Loan Party, and includes a general description of the material operations taking place on each such property. None of the Loan Parties has any option to acquire or lease, nor have any of them agreed to purchase or lease any other real property or interest in real property, other than the Real Property. With respect to the Real Property, to the Knowledge of the Borrower, or to the knowledge of the applicable Loan Party, after reasonable inquiry, as it relates to such Loan Party's Real Property:

- (i) there are no outstanding work orders or other requirements in respect of such property imposed by any Governmental Authority which impose a material obligation on the owner of the Real Property;
- (ii) the uses to which all Real Property have been and are being put by the Borrower or the Loan Parties, as the case may be, is not in breach of any Applicable Law or any private agreement;
- (iii) none of the buildings, structures or improvements located on any of the Real Property (or any equipment thereon) nor the operation or maintenance thereof, violates any restrictive covenant or any provision of any federal, provincial, state or municipal law, ordinance, rule or regulation, or encroaches on any property owned by others;
- (iv) no notice has been received of any material by-law or regulatory change affecting any of the Real Property or relating to any threatened or pending condemnation or expropriation thereof;
- (v) each Real Property and all buildings, structures and improvements situated thereon and all systems therein and facilities and accessories and installations related thereto are in a good state of maintenance and repair, having regard to their age, which make them suitable for the purposes for which they are currently being used and each such property is serviced by all required public utility services; and

- (vi) there is adequate ingress and egress to and from each Real Property, to and from the public roads abutting or adjacent thereto for the operation of the business of the Borrower or the Loan Parties, as the case may be, in the ordinary course.

The Borrower and each other Loan Party have indefeasible fee simple title to their respective owned real properties, and with respect to leased real properties, indefeasible title to the leasehold estate with respect thereto, pursuant to valid and enforceable leases, free and clear of all Security Interests except Permitted Liens.

- (m) **Priority of Security Interests; Title to Properties.** The Security Interests granted to the Lender under this Agreement and the other Loan Documents constitute valid and perfected Security Interests in and upon the Collateral, subject only to Permitted Liens. Each of the Loan Parties has good and marketable title to all of their respective properties and assets, including but not limited to the Collateral, subject only to Permitted Liens. Each of the Loan Parties, as applicable, have full right, power and authority to grant Security Interests against the Collateral as set forth in the Loan Documents.
- (n) **Tax Returns.** Each Loan Party has filed, or caused to be filed, in a timely manner all material tax returns, reports and declarations which are required to be filed by it (without requests for extension except as previously disclosed in writing to the Lender). All information in such tax returns, reports and declarations is complete and accurate in all material respects. Each Loan Party has paid or caused to be paid all Taxes due and payable or claimed due and payable in any assessment received by it, except to an extent which would not reasonably be expected to have a Material Adverse Effect and Taxes, the validity of which are being contested by appropriate proceedings diligently pursued and available to such Loan Party and with respect to which adequate reserves have been set aside on its books (to the extent required by ASPE). Adequate provision has been made for the payment of all accrued and unpaid federal, provincial, municipal, local, foreign and other Taxes whether or not yet due and payable and whether or not disputed.
- (o) **Employees.** None of the Loan Parties are a party to any collective bargaining agreement, contract or legally binding commitment to any trade union or employee organization or group in respect of or affecting employees of any Loan Party. None of the Loan Parties are currently engaged in any labour negotiation. To the Knowledge of the Borrower, and to the knowledge of the applicable Loan Party, no Loan Party is a party to any application, complaint or other proceeding under any employment statute. No Loan Party is engaged in any unfair or unlawful labour practice and to the Knowledge of the Borrower, and to the knowledge of the applicable Loan Party, none of the Loan Parties are aware of any pending or threatened complaint regarding any unfair labour practices. There is no strike, labour dispute, work slowdown or stoppage pending or threatened against any Loan Party. None of the Loan Parties experienced any work stoppage. To the Knowledge of the Borrower, and to the knowledge of the applicable Loan Party, no Loan Party is the subject of any union organization effort.
- (p) **Material Contracts.** All of the Material Contracts to which any Loan Party is a party are listed in Exhibit E.

Each of the Material Contracts has been validly authorized, executed and delivered by the relevant Loan Party thereto and, to the Knowledge of the Borrower, and the knowledge of the applicable Loan Party, by all other parties to them, and constitute legal, valid and binding obligations enforceable in accordance with their terms against the relevant Loan Parties, and against all other parties to them. Except as disclosed in Exhibit E, each of the Material Contracts is in full force and effect without amendment, and there has been no material default under any of them by the Loan Parties or, to the Knowledge of the Borrower, and the knowledge of the applicable Loan Party, by any other party. Each Loan Party is in compliance with all the terms and conditions relating to the Material Contracts except where the failure to do so, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. No approval, notice to, or waiver from any other party to a Material Contract is required to be obtained or made by a Loan Party as a result of or in connection with the execution and delivery of, and performance by Loan Parties of its respective obligations under the Loan Documents, except for those identified in Exhibit E and

which have been, or will be, obtained and delivered to Lender on or prior to the Closing Date, unless otherwise agreed to by the Lender.

- (q) **Status of Pension Plans.** None of the Loan Parties has established and nor do they administer any Pension Plans.
- (r) **Environmental Compliance.** Except as set forth in Exhibit H hereto:
- (i) no Loan Party has generated, used, stored, treated, transported, manufactured, handled, produced or disposed of any Hazardous Materials, on or off its premises (whether or not owned by it) in any manner which at any time violates any applicable Environmental Law or any license, permit, certificate, approval or similar authorization thereunder which gives rise to a material liability on such Loan Party and the operations of each Loan Party comply in all material respects with all Environmental Laws and all licenses, permits, certificates, approvals and similar authorizations thereunder;
 - (ii) there has been no investigation, proceeding, complaint, order, directive, claim, citation or notice by any Governmental Authority or any other person nor is any pending or, to the Knowledge of the Borrower, or to the knowledge of the applicable Loan Party, threatened, with respect to any non-compliance with or violation of the requirements of any Environmental Law by either a Loan Party or the release, spill or discharge, threatened or actual, of any Hazardous Material or the generation, use, storage, treatment, transportation, manufacture, handling, production or disposal of any Hazardous Materials or any other environmental, health or safety matter;
 - (iii) no Loan Party has any material liability (contingent or otherwise) in connection with a release, spill or discharge, threatened or actual, of any Hazardous Materials or the generation, use, storage, treatment, transportation, manufacture, handling, production or disposal of any Hazardous Materials; and
 - (iv) each Loan Party has all licenses, permits, certificates, approvals or similar authorizations required to be obtained or filed in connection with its operations under any Environmental Law and all of such licenses, permits, certificates, approvals or similar authorizations are valid and in full force and effect.
- (s) **Securities.** The securities issuable upon conversion of this Agreement, when issued, sold and delivered in compliance with the terms and for the consideration expressed in this Agreement, will be duly authorized and validly issued, exempt from the registration and prospectus requirements of all applicable securities laws, fully paid and non-assessable. The issuance or sale by the Borrower of the securities issuable upon conversion of this Agreement will not trigger any anti-dilution adjustments, other than any such adjustments as have been effectively waived in writing prior to the date hereof.
- (t) **Restrictions on Doing Business.** None of the Loan Parties is a party to or bound by any agreement which would restrict or limit its right to carry on any business or activity or to solicit business from any Person or in any geographical area or otherwise to conduct the business of the Loan Parties, as currently carried on or proposed to be carried on. No Loan Party has executed or is bound by any agreement which would impose any restriction or limitation on the right of any of them to carry on their business or which would result in a Material Adverse Effect. No Loan Party is subject to any legislation or any judgment, order or requirement of any Governmental Authority which is not of general application to persons carrying on a business similar to the business conducted by each of the Loan Parties.
- (u) **Intellectual Property.** None of the Loan Parties own or license any registered trademarks, industrial designs, patents, copyrights or other Intellectual Property except as set forth in Exhibit F. Except as disclosed in writing to the Lender, (a) each Loan Party is the sole and exclusive owner or licensee of, with all right, title and interest in and to (free and clear of any known claims by any Person), its Intellectual Property, and has sole and exclusive rights to the use thereof, (b) no Loan Party has knowingly infringed or violated and is not aware of any infringement or violation of any Intellectual Property or other proprietary rights of any other Person, and no

Person has made any such claim, and (c) none of the Intellectual Property has been assigned or licensed to any other Person (excluding a Loan Party); except as set forth in Exhibit F.

- (v) **Regulatory Approvals.** To the Knowledge of the Borrower, and the knowledge of the applicable Loan Party, each Loan Party possesses all Regulatory Approvals required for the operation of the Business as currently conducted. Each Loan Party is conducting the Business in accordance with all terms and conditions of all Regulatory Approvals, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. All Regulatory Approvals are valid and are in full force and effect, no Loan Party is in violation of any term or provision or requirement of any Regulatory Approval, and no Person has, to the Knowledge of the Borrower, and the knowledge of the applicable Loan Party, threatened to revoke, amend or impose any condition in respect of, or commenced proceedings to revoke, amend or impose conditions in respect of, any Regulatory Approval previously granted to any Loan Party. There are currently no outstanding Regulatory Approvals or matters related thereto in respect of any Loan Party or its Business that have not been resolved, or otherwise disclosed to the Lender.
- (w) **Licenses.** To the Knowledge of the Borrower, and the knowledge of the applicable Loan Party, each Loan Party possesses all Licenses required for the operation of the Business as currently conducted, and all such Licenses are held by the applicable Loan Party free and clear of any and all Security Interests. Each Loan Party is conducting the Business in accordance with all terms and conditions of the Licenses, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect. All the Licenses are valid and are in full force and effect, no Loan Party is in violation of any term or provision or requirement of any License, and no Person has, to the Knowledge of the Borrower, and the knowledge of the applicable Loan Party, threatened to revoke, amend or impose any condition in respect of, or commenced proceedings to revoke, amend or impose conditions in respect of, any License.
- (x) **Accuracy and Completeness of Information.** All information furnished by or on behalf of the Loan Parties in writing to the Lender in connection with this Agreement or any of the other Loan Documents or any transaction contemplated hereby or thereby, including all information set forth in the Schedules and Exhibits hereto, is true and correct in all material respects on the date as of which such information is dated or certified and does not omit any material fact necessary in order to make such information not misleading. To the Knowledge of the Borrower, no event or circumstance has occurred which has had or could be expected to result in a Material Adverse Change, which has not been fully and accurately disclosed to Lender in writing.
- (y) **Full Disclosure.** None of the information and material delivered to the Lender by or on behalf of any of the Loan Parties contains any untrue statement of a material fact or has omitted a material fact necessary to make the statements contained therein not materially misleading, and all such statements, taken as a whole, together with this Agreement, do not contain any untrue statement of a material fact or omit a material fact necessary to make the statements contained herein or therein not materially misleading. There is no fact known to any Loan Party, which the Borrower has not disclosed in writing to the Lender which could be considered to have a Material Adverse Effect on any Loan Party or the ability of such Loan Party to perform its obligations under the Loan Documents.

6.2 Survival of Warranties; Cumulative

All representations and warranties contained in this Agreement or any of the other Loan Documents shall survive the execution and delivery of this Agreement and, to the extent applicable on such date, shall be deemed to have been made again to the Lender on the date of each advance of the Loan, additional borrowing or other credit accommodation hereunder and shall be conclusively presumed to have been relied on by the Lender regardless of any investigation made or information possessed by the Lender. The representations and warranties set forth herein shall be cumulative and in addition to any other representations or warranties which the Borrower or the other Loan Parties shall now or hereafter give, or cause to be given, to the Lender.

ARTICLE 7 - AFFIRMATIVE AND NEGATIVE COVENANTS**7.1 Maintenance of Existence and Business**

Each Loan Party shall at all times preserve, renew and keep in full, force and effect its corporate existence, if applicable, and rights and franchises with respect thereto. Each Loan Party shall at all times maintain in full force and effect all permits, Licenses, trademarks, trade names, approvals, authorizations, leases and contracts necessary to carry on the Business as presently conducted.

7.2 Fundamental Changes.

- (a) No Loan Party will, without the prior written consent of the Lender, directly or indirectly, (i) merge into or amalgamate or consolidate with any other Person, or permit any other Person to merge into or amalgamate or consolidate with it; (ii) except for Permitted Dispositions, sell, assign, transfer, lease, abandon or otherwise dispose of (in one transaction or in a series of transactions) all or substantially all of its assets, all or any of its shares or securities, any or all of its indebtedness, or all or any of the Equity Interests of any of its Subsidiaries (in each case, whether now owned or hereafter acquired); or (iii) form or acquire any Subsidiary, unless such Subsidiary becomes a Loan Party.
- (b) No Loan Party will change its name without providing not less than thirty (30) days' prior written notice of such name change to the Lender, which notice shall set forth such new name and Borrower shall deliver, or cause to be delivered, to Lender, a certified copy of the Certificate or Articles of Amendment of such Loan Party providing for such name change promptly following its filing.
- (c) No Loan Party will engage to any material extent in any business other than the Business and businesses reasonably related thereto.

7.3 Compliance with Laws, Regulations, Etc.

- (a) The Borrower shall, and shall cause each Loan Party to, at all times, comply in all material respects with all Applicable Law except for any matter that the Borrower or the respective Loan Party is contesting by appropriate proceedings diligently pursued or where such non-compliance could not reasonably be expected to have a Material Adverse Effect.
- (b) Each Loan Party shall, at its expense, take such measures as it deems reasonably necessary to ensure continued compliance with all material Environmental Laws applicable to all of its operations, which shall include annual reviews of such compliance by employees or agents of such Loan Party who are familiar with the requirements of the Environmental Laws. Copies of all environmental surveys, audits, assessments, feasibility studies and results of remedial investigations shall be promptly furnished, or caused to be furnished, by each Loan Party to the Lender upon the request of the Lender. Each Loan Party shall take prompt and appropriate action to respond to any material non-compliance with any of the Environmental Laws.
- (c) Each Loan Party shall give written notice to the Lender promptly upon the Loan Party's receipt of any notice of, or such Loan Party's otherwise obtaining knowledge of, (i) the occurrence of any reportable event involving the release, spill or discharge, threatened or actual, of any Hazardous Material at, on, under or from any real property owned, leased or operated by such Loan Party, or (ii) any investigation, proceeding, complaint, order, directive, claims, citation or notice with respect to: (A) any material non-compliance with or violation of any Environmental Law by such Loan Party or (B) the reportable release, spill or discharge, threatened or actual, of any Hazardous Material at, on, under or from any real property owned, leased or operated by such Loan Party, or (C) the generation, use, storage, treatment, transportation, manufacture, handling, production or disposal of any Hazardous Materials at, on, under or from any real property owned, leased or operated by such Loan Party, or (D) any other environmental, health or safety matter; in each case of (A), (B), (C) and (D), which could reasonably be expected to have a Material Adverse Effect.
- (d) Without limiting the generality of the foregoing, whenever the Lender determines, acting reasonably, that there is material non-compliance, or any condition which requires any action by or on behalf of a Loan Party in order to avoid any material non-compliance, with any

Environmental Law, such Loan Party shall, at the Lender's request and such Loan Party's expense: (i) cause an independent environmental engineer acceptable to the Lender to conduct such tests of the site where such Loan Party's non-compliance or alleged non-compliance with such Environmental Laws has occurred as to such non-compliance and prepare and deliver to the Lender a report as to such non-compliance setting forth the results of such tests, a proposed plan for responding to any environmental problems described therein, and an estimate of the costs thereof and (ii) provide to the Lender a supplemental report of such engineer whenever the scope of such non-compliance, or such Loan Party's response thereto or the estimated costs thereof, shall change in any material adverse respect.

7.4 Payment of Taxes and Claims

The Borrower shall, and shall cause each Loan Party to, duly pay and discharge all Taxes, assessments, contributions and charges by any Governmental Authority effected upon or against it or its assets or undertakings, except (i) to the extent the failure to do so could not reasonably be expected to have a Material Adverse Effect; and (ii) if the validity of such Taxes are being contested in good faith by appropriate proceedings diligently pursued and available to the Borrower or such Loan Party and with respect to which adequate reserves have been set aside on its books.

7.5 Books and Records; Inspection Rights.

Each Loan Party will keep proper Records and accounts in which full, true and correct entries are made of all dealings and transactions in relation to its Business and activities. Each Loan Party will permit any representatives designated by the Lender, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its Records and accounts, and to discuss its affairs, finances and condition with its officers, directors and independent accountants, all at such reasonable times and as often as reasonably requested; provided, however, if an Event of Default has occurred and is continuing, the Lender (or any of its representatives or independent contractors) may do any of the foregoing at the expense of the Loan Parties at any time during normal business hours and without advance notice.

7.6 Insurance

The Borrower shall, and shall cause each Loan Party to, at all times, maintain with financially sound and reputable insurers insurance with respect to the Collateral against loss or damage and all other insurance of the kinds and in the amounts customarily insured against or carried by corporations of established reputation engaged in the same or similar businesses and similarly situated. Said policies of insurance shall be satisfactory to the Lender, acting reasonably, as to form, amount and insurer. The Borrower shall furnish certificates to the Lender as the Lender shall reasonably require as proof of such insurance, and, if the Borrower fails to do so, the Lender is authorized, but not required, to obtain such insurance at the expense of the Borrower. All policies shall provide for at least thirty (30) days' (or such lesser period as the insurer is only prepared to agree to) prior written notice to the Lender of any cancellation or reduction of coverage and that the Lender may act as attorney for the Borrower in obtaining, and at any time an Event of Default exists or has occurred and is continuing, adjusting, settling, amending and cancelling such insurance. The Borrower shall cause the Lender to be named as a loss payee in respect of any insurance proceeds otherwise payable to a Loan Party and as an additional insured (but without any liability for any premiums) in relation to third party liability under such insurance policies and the Borrower shall obtain non-contributory lender's loss payable endorsements or its equivalent in respect of any insurance proceeds to all insurance policies. Such lender's loss payable endorsements or its equivalent shall specify that the proceeds of such insurance otherwise payable to a Loan Party shall be payable to the Lender as its interests may appear and further specify that Lender shall be paid regardless of any act or omission by Borrower or any of their Affiliates. If no Event of Default exists, the Lender shall release any insurance proceeds received by it to Borrower. If an Event of Default exists, at its option, the Lender may apply any insurance proceeds received by the Lender at any time to the cost of repairs or replacement of Collateral and/or to payment of the Obligations, whether or not then due, in any order and in such manner as the Lender may determine or, if no Obligations are then due and payable, hold such proceeds as cash collateral for the Obligations to be applied in payment thereof as and when they become due and payable.

7.7 Financial Statements and Other Information

- (a) The Borrower (and each Loan Party from time to time) shall keep or cause to be kept, proper books and records in which true and complete entries shall be made of all dealings or transactions of or in relation to the Collateral and the Business of the Borrower and its Subsidiaries (if any, and

each Loan Party, if applicable) in accordance with ASPE and the Borrower (and each Loan Party, if applicable) shall furnish or cause to be furnished to the Lender:

- (i) within thirty (30) days after the end of each month, monthly management prepared financial statements for the Borrower and all Subsidiaries (including in each case a balance sheet, statement of income and loss and statement of cash flow and statements of shareholders' equity), all in reasonable detail, fairly presenting the financial position and the results of the operations of the Borrower and all Subsidiaries as of the end of and through such month;
 - (ii) within 30 days of each month end, certified margin calculations and detailed listing of aged accounts receivable and inventory of the Borrower. The calculations shall separately identify receivables guaranteed under the EDC or other insurance programs acceptable to the Lender;
 - (iii) within ninety (90) days after the end of each fiscal year, audited financial statements of the Borrower on a consolidated basis (together with the consolidating statements used in the preparation of such statements), including in each case balance sheets, statements of income and loss, statements of changes in financial position and statements of shareholders' equity, and the accompanying notes thereto, all in accordance with ASPE, fairly presenting the financial position and the results of operations as of the end of and for such fiscal year together with the management discussion and analysis and the unqualified opinion of independent chartered accountants that such financial statements have been prepared in accordance with ASPE, and present fairly the results of operations and financial condition as of the end of and for the fiscal year then ended.
- (b) The Borrower shall promptly notify the Lender in writing of the details of (i) any loss, damage, investigation, action, suit, proceeding or claim relating to the Collateral or any other property which is security for the Obligations and which could reasonably be expected to have a Material Adverse Effect, and (ii) the occurrence of any Default or Event of Default.
 - (c) The Lender is, subject to Section 11.9, hereby authorized to deliver a copy of any financial statement or any other information relating to the business of a Loan Party to any partner, participant or assignee or prospective partner participant or assignee, or, if required by Applicable Law, to any Governmental Authority. Each Loan Party shall deliver to the Lender, at the Borrower's expense, copies of the financial statements of each Loan Party and any audit related reports prepared by their accountants or auditors on behalf of each Loan Party and shall disclose to the Lender such audit related reports; provided that, for greater certainty, such disclosure shall not relate to reports or letters which relate to business consulting services unrelated to audit services. Any documents, schedules, invoices or other papers delivered to the Lender may be destroyed or otherwise disposed of by the Lender one (1) year after the same are delivered to the Lender, except as otherwise designated by the Borrower to the Lender in writing.
 - (d) The Borrower shall furnish to the Lender, at least sixty (60) days prior to the commencement of each fiscal year, each Loan Party's annual operating budget for the then following fiscal year, prepared on a monthly basis and including a detailed Capital Expenditures budget, which operating budget shall be approved by the Borrower's Board of Directors and shall include, without limitation, balance sheets, income statements and cash flows which include detail on a monthly basis reflecting Capital Expenditures, acquisitions and financing required in connection therewith.
 - (e) The Borrower shall promptly notify the Lender of any default under any lease of any of the Loan Parties' leased premises where the Business is being operated or where material Inventory is located.
 - (f) The Borrower shall promptly provide the Lender with such other information and copies of agreements and documents, as from time to time may be reasonably requested by the Lender and senior management of the Borrower shall meet with representatives of the Lender on a regular basis, as reasonably required by the Lender.

7.8 Encumbrances

No Loan Party shall, without prior written consent of the Lender; create, incur, assume or suffer to exist any Security Interest of any nature whatsoever on any of its assets or properties, including the Collateral, except Permitted Liens.

7.9 Indebtedness

No Loan Party shall, without prior written consent of the Lender; incur, create, assume, become or be liable in any manner with respect to, or permit to exist, any indebtedness for borrowed money, except Permitted Debt; provided, that, as to such Permitted Debt: (i) no Loan Party shall (A) amend, modify, alter or change any of its terms or any agreement, document or instrument related thereto if such amendment, modification, alteration or change is materially disadvantageous to such Loan Party, or (B) redeem, retire, defease, purchase or otherwise acquire the obligations arising pursuant thereto, or set aside or otherwise deposit or invest any sums for such purpose, except in accordance with the terms and conditions thereof or permitted thereby, (ii) the Borrower shall furnish to the Lender all notices of default or demands for accelerated payment in connection therewith either received by a Loan Party or on its behalf, promptly after the receipt thereof, or sent by a Loan Party or on its behalf, concurrently with the sending thereof, as the case may be.

7.10 Loans, Investments, Guarantees, Etc.

No Loan Party shall, without prior written consent of the Lender, directly or indirectly, make any loans or advance money or property to any Person, or invest in (by capital contribution, dividend or otherwise) or purchase or repurchase the shares or create indebtedness or acquire all or a substantial part of the assets or undertakings of any Person, or guarantee, assume, endorse, or otherwise become responsible for (directly or indirectly) the indebtedness, performance, obligations or dividends of any Person or agree to do any of the foregoing, except: (a) the endorsement of instruments for collection or deposit in the ordinary course of business; (b) investments in: (i) short-term direct obligations of the Government of Canada, the United States of America or any political subdivision of either thereof or any instrumentality of any of the foregoing, (ii) negotiable certificates of deposit issued by any bank whose long-term debt is investment grade or is otherwise satisfactory to the Lender, payable to the order of a Loan Party or to bearer and delivered to the Lender or the security entitlements to which are credited to an account control agreement to which the Lender is party, and (iii) commercial paper rated A1 or P1.

7.11 Dividends and Redemptions

No Loan Party shall, without prior written consent of the Lender; directly or indirectly, declare or make any Restricted Payment or agree to do so.

7.12 Financial Covenants

The Borrower and the Loan Parties shall, at all times, maintain the financial covenants set forth in any Senior Credit Agreements approved by the Lender from time to time, calculated according to ASPE.

7.13 Transactions with Affiliates

No Loan Party shall, without prior written consent of the Lender; directly or indirectly, (a) purchase, acquire or lease any property from, or sell, transfer or lease any property to, any senior officer, director or other person affiliated with a Loan Party, that is not a Loan Party, except in the ordinary course of and pursuant to the reasonable requirements of a Loan Party's business and upon fair and reasonable terms no less favorable to a Loan Party than a Loan Party would obtain in a comparable Arm's-Length transaction with an unaffiliated person or (b) make any payments of management, consulting or other fees for management or similar services, or of any indebtedness owing to any officer, employee, shareholder, director or other person affiliated with a Loan Party, that is not a Loan Party, except (x) reasonable compensation to officers, employees and directors or such other persons for services rendered to a Loan Party in the ordinary course of business, (y) services fees for legal, tax and accounting services or (z) as otherwise may be specifically permitted in this Agreement.

7.14 Intellectual Property

In the event a Loan Party obtains or applies for any rights related to Intellectual Property, the Borrower shall promptly notify the Lender thereof and shall provide to the Lender copies of all written materials including, but not limited to, applications and licenses with respect to such Intellectual Property. At the Lender's request, a Loan Party shall promptly execute and deliver to the Lender an intellectual property security agreement granting to the

Lender a perfected Security Interest in such Intellectual Property in form and substance satisfactory to the Lender, acting reasonably.

7.15 Additional Bank Accounts

The Loan Parties shall not, directly or indirectly, open, establish or maintain any deposit account, investment account or any other account with any bank or other financial institution, other than as approved by the Lender.

7.16 Applications under the Companies' Creditors Arrangement Act

The Borrower acknowledges that its business and financial relationships with the Lender are unique from its relationship with any other of its creditors. The Borrower agrees that no Loan Party shall file any plan of arrangement under the CCAA ("CCAA Plan") which provides for, or would permit directly or indirectly, the Lender to be classified with any other creditor of any Loan Party for purposes of such CCAA Plan or otherwise.

7.17 Costs and Expenses

The Borrower shall pay (i) all reasonable out-of-pocket expenses incurred by the Lender, and its Affiliates, including the reasonable fees, charges and disbursements of counsel for the Lender, in connection with the preparation, negotiation, execution, delivery and administration of this Agreement and the other Loan Documents or any amendments, modifications or waivers of the provisions hereof or thereof (whether or not the transactions contemplated hereby or thereby shall be consummated), and (ii) all out-of-pocket expenses incurred by the Lender, including the fees, charges and disbursements of counsel, in connection with the enforcement or protection of its rights in connection with this Agreement and the other Loan Documents, including its rights under this Section and including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect thereof.

Without limiting the foregoing, the Borrower shall pay all costs, expenses, filing fees incurred and taxes paid or payable for which the Borrower is responsible in connection with the preparation, negotiation, execution, delivery, recording, administration, collection, liquidation, enforcement and defense of the Obligations, the Lender's rights in the Collateral, this Agreement, the other Loan Documents and all other documents related hereto or thereto, including any amendments, supplements or consents which may hereafter be contemplated (whether or not executed) or entered into in respect hereof and thereof, including: (a) all costs and expenses paid or incurred of filing or recording (including PPSA financing statements and other similar filing and recording fees and taxes, documentary taxes, intangibles taxes and mortgage recording taxes and fees, if applicable); (b) all insurance premiums, appraisal fees and search fees paid or incurred; (c) costs and expenses paid or incurred in respect of remitting loan proceeds, collecting cheques and other items of payment, together with Lender's reasonable and customary charges and fees with respect thereto; (d) reasonable costs and expenses paid or incurred in respect of preserving and protecting the Collateral; (e) reasonable costs and expenses paid or incurred in connection with obtaining payment of the Obligations, enforcing the Security Interests of the Lender, selling or otherwise realizing upon the Collateral, and otherwise enforcing the provisions of this Agreement and the other Loan Documents or defending any claims made or threatened against the Lender arising out of the transactions contemplated hereby and thereby (including, without limitation, preparations for and consultations concerning any such matters); (f) the reasonable fees and disbursements of counsel (including legal assistants) to the Lender in connection with any of the foregoing.

All amounts due under this Section and Article 9 shall be payable promptly after demand therefor. A certificate of the Lender setting forth the amount or amounts owing to the Lender, as specified in this Section, including reasonable detail of the basis of calculation of the amount or amounts, and delivered to the Borrower shall be *prima facie* evidence thereof absent manifest error.

7.18 Further Assurances

At the request of the Lender at any time and from time to time, each Loan Party shall, at its expense, duly execute and deliver, or cause to be duly executed and delivered, such further agreements, documents, mortgages, and instruments, and do or cause to be done such further acts as may be reasonably necessary or proper to evidence, perfect, maintain and enforce the Security Interests and the priority thereof in the Collateral and to otherwise effectuate the provisions or purposes of this Agreement or any of the other Loan Documents. Where permitted by Applicable Law, each Loan Party hereby authorizes the Lender to execute and file one or more PPSA or other financing statements or notices signed only by the Lender or the Lender's representative.

7.19 Most Favoured Lender

In the event a Loan Party enters into any material loan agreement evidencing indebtedness in respect of borrowed money with any lender containing one or more covenants (i) which are more restrictive on a Loan Party than the covenants set forth in this Agreement; or (ii) which has the effect of establishing rights or benefits for a lender more favorable in substance to such lender than any rights or benefits in favor of the Lender hereunder; each Loan Party agrees, at the request of the Lender, to amend this Agreement to include such restrictive covenants or such additional rights for so long as such other borrowed money remains outstanding. Nothing in this Section 7.19 shall be interpreted as a waiver of any covenant of any Loan Party.

ARTICLE 8 - EVENTS OF DEFAULT AND REMEDIES

8.1 Events of Default

The occurrence or existence of any one or more of the following events is referred to herein individually as an "**Event of Default**", and collectively as "**Events of Default**":

- (a) if the Borrower fails to pay when due any payment of principal, interest or other amount owing hereunder or under any other Loan Agreement;
- (b) if an Event of Default occurs under any Senior Credit Agreement in place from time to time, which is not cured within the applicable cure period set forth therein;
- (c) if any Loan Party fails to perform any of the terms, covenants, conditions or provisions contained in this Agreement (other than as set forth in paragraphs (a) and (b)) or contained in any of the other Loan Documents and such failure to perform (if capable of being cured as determined by the Lender) is not cured within ten (10) days of notice from the Lender to do so;
- (d) if any material representation, warranty or statement of fact made by any Loan Party to the Lender in this Agreement, the other Loan Documents or any other agreement, schedule, confirmatory assignment or otherwise is when made or deemed to be made, false or misleading in any material respect;
- (e) if any Loan Party revokes or terminates or questions the enforceability of this Agreement or any of the other Loan Documents;
- (f) unless covered by applicable insurance or letter of credit, if any judgment for the payment of money is rendered against any Loan Party in excess of \$100,000 in the aggregate and remains unsatisfied, undischarged and unvacated for a period in excess of thirty (30) days or if execution thereon having been initiated shall at any time not be effectively stayed before any such execution is carried out;
- (g) if any Loan Party, which is a partnership, limited liability company, limited partnership, limited liability partnership or a corporation, dissolves or suspends or discontinues doing business without the prior written consent of the Lender;
- (h) if a petition, case or proceeding under the bankruptcy laws of Canada or similar laws of any foreign jurisdiction now or hereafter in effect or under any insolvency, arrangement, reorganization, moratorium, receivership, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction now or hereafter in effect (whether at law or in equity) is filed or commenced against any Loan Party or all or any part of its properties and such petition or application is not dismissed within thirty (30) days after the date of its filing or any Loan Party shall file any answer admitting or not contesting such petition or application or indicates its consent to, acquiescence in or approval of, any such action or proceeding or the relief requested is granted sooner;
- (i) if a petition, case or proceeding under the bankruptcy laws of Canada or similar laws of any foreign jurisdiction now or hereafter in effect or under any insolvency, arrangement, reorganization, moratorium, receivership, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction now or hereafter in effect (whether at a law or equity) is filed or commenced by any Loan Party for all or any part of its property including, without limitation, if any Loan Party shall:

- (i) apply for or consent to the appointment of a receiver, trustee or liquidator of it or of all or a substantial part of its assets and undertakings;
- (ii) be unable, or admit in writing its inability, to pay its debts as they mature, or commit any other act of bankruptcy;
- (iii) make a general assignment for the benefit of creditors;
- (iv) file a voluntary petition or assignment in bankruptcy or a proposal seeking a reorganization, compromise, moratorium or arrangement with its creditors;
- (v) take advantage of any insolvency or other similar law pertaining to arrangements, moratoriums, compromises or reorganizations, or admit the material allegations of a petition or application filed in respect of it in any bankruptcy, reorganization or insolvency proceeding; or
- (vi) take any corporate action for the purpose of effecting any of the foregoing;
- (j) if there occurs any default by any Loan Party under any agreement, document or instrument relating to any indebtedness for borrowed money owing to any person other than the Lender, or any capitalized lease obligations, contingent indebtedness in connection with any guarantee, letter of credit, indemnity or similar type of instrument in favour of any person other than the Lender, in any case in an amount in excess of \$100,000;
- (k) if there is any Change of Control in respect of any Loan Party without the Lender's prior written consent;
- (l) on the occurrence of a Material Adverse Change, as determined by the Lender, acting reasonably;
- (m) if there is a breach or failure to comply by any Loan Party with the provisions of any interlender agreement to which the Lender is party with respect to any Loan Party;
- (n) if a requirement from the Minister of National Revenue for payment pursuant to Section 224 or any successor section of the *Income Tax Act* (Canada) or Section 317, or any successor section or any other Person in respect of the Borrower of the *Excise Tax Act* (Canada) or any comparable provision of similar legislation of any jurisdiction shall have been received by the Lender or any other Person in respect of the Borrower or otherwise issued in respect of the Borrower which is not satisfied or discharged, as applicable, within thirty (30) days; or
- (o) if this Agreement or any other Loan Agreement, or any provision hereof or thereof, shall at any time after execution and delivery hereof or thereof, for any reason, cease to be a legal, valid and binding obligation of any Loan Party or cease to be enforceable against any Loan Party in accordance with its terms or shall be declared to be null and void and as a result of any of the foregoing, the rights of the Lender, taken as a whole under the Loan Documents, are materially prejudiced.

8.2 Remedies

- (a) At any time an Event of Default exists or has occurred and is continuing, the Lender shall have all rights and remedies provided in this Agreement, the other Loan Documents, the PPSA and other Applicable Law, all of which rights and remedies may be exercised without notice to or consent by any Loan Party, except as such notice or consent is expressly provided for hereunder or required by Applicable Law. All rights, remedies and powers granted to the Lender hereunder, under any of the other Loan Documents, the PPSA or other Applicable Law, are cumulative, not exclusive and enforceable, in the Lender's discretion, alternatively, successively, or concurrently on any one or more occasions, and shall include, without limitation, the right to apply to a court of equity for an injunction to restrain a breach or threatened breach by any Loan Party of this Agreement or any of the other Loan Documents. At any time an Event of Default exists, the Lender may, at any time or times, proceed directly against any Loan Party to collect the Obligations without prior recourse to the Collateral.
- (b) Without limiting the foregoing, at any time an Event of Default exists or has occurred and is continuing, the Lender may, by written notice to Borrower (a "**Notice of Termination**"),

accelerate the payment of all Obligations and demand immediate payment thereof to the Lender (provided, that, upon the occurrence of any Event of Default described in Sections 8.1(h) and 8.1(i), all Obligations shall automatically become immediately due and payable without the requirement to give any notice, and in such event, a Notice of Termination shall deemed to have been given). Following the delivery of a Notice of Termination by the Lender, the Lender may, in its discretion and without limitation: (i) with or without judicial process or the aid or assistance of others, enter upon any premises on or in which any of the Collateral may be located and take possession of the Collateral or complete processing, manufacturing and repair of all or any portion of the Collateral and carry on the business of each Loan Party, (ii) require each Loan Party, at each Loan Party's expense, to assemble and make available to the Lender any part or all of the Collateral at any place and time designated by the Lender, (iii) collect, foreclose, receive, appropriate, setoff and realize upon any and all Collateral, (iv) remove any or all of the Collateral from any premises on or in which the same may be located for the purpose of effecting the sale, foreclosure or other disposition thereof or for any other purpose, (v) sell, lease, transfer, assign, deliver or otherwise dispose of any and all Collateral (including entering into contracts with respect thereto, public or private sales at any exchange, broker's board, at any office of the Lender or elsewhere) at such prices or terms as the Lender may deem reasonable, for cash, upon credit or for future delivery, with the Lender having the right to purchase the whole or any part of the Collateral at any such public sale, all of the foregoing being free from any right or equity of redemption of the Loan Parties, which right or equity of redemption is hereby expressly waived and released by the Loan Parties, (vi) borrow money and use the Collateral directly or indirectly in carrying on the Loan Parties' business or as security for loans or advances for any such purposes, (vii) grant extensions of time and other indulgences, take and give up security, accept compositions, grant releases and discharges, and otherwise deal with the Loan Parties, debtors of the Loan Parties, sureties and others as the Lender may see fit without prejudice to the liability of the Loan Parties or the Lender's right to hold and realize the Security Interests created under any Loan Agreement, and/or (viii) terminate this Agreement. If any of the Collateral is sold or leased by the Lender upon credit terms or for future delivery, the Obligations shall not be reduced as a result thereof until payment therefor is finally collected by the Lender. If notice of disposition of Collateral is required by law, fifteen (15) days' prior notice by the Lender to the Borrower designating the time and place of any public sale or the time after which any private sale or other intended disposition of Collateral is to be made, shall be deemed to be notice thereof and the Loan Parties waive any other notice. In the event the Lender institutes an action to recover any Collateral or seeks recovery of any Collateral by way of pre-judgment remedy, the Loan Parties waive the posting of any bond which might otherwise be required.

- (c) The Lender shall apply the cash proceeds of Collateral actually received by the Lender from any sale, lease, foreclosure or other disposition of the Collateral to payment of the Obligations in accordance with Section 2.4, subject always to the provisions of any interlender agreement, as applicable. Loan Parties shall remain liable to the Lender for the payment of any deficiency with interest at the highest rate provided for herein and all costs and expenses of collection or enforcement, including reasonable legal costs and expenses.
- (d) Subject to the provisions of any interlender agreement, the Lender may appoint, remove and reappoint any person or persons, including an employee or agent of the Lender to be a receiver (the "**Receiver**") which term shall include a receiver and manager of, or agent for, all or any part of the Collateral. Any such Receiver shall, as far as concerns responsibility for his acts, be deemed to be the agent of the Loan Parties and not of the Lender, and the Lender shall not in any way be responsible for any misconduct, negligence or non-feasance of such Receiver, his employees or agents. Except as otherwise directed by the Lender, all money received by such Receiver shall be received in trust for and paid to the Lender. Such Receiver shall have all of the powers and rights of the Lender described in this Section 8.2. The Lender may, either directly or through its agents or nominees, exercise any or all powers and rights of a Receiver.
- (e) Loan Parties shall pay all reasonable costs, charges and expenses incurred by the Lender or any Receiver or any nominee or agent of the Lender, whether directly or for services rendered (including, without limitation, reasonable solicitor's costs on a full indemnity basis, auditor's

costs, other legal expenses and Receiver remuneration) in enforcing this Agreement or any other Loan Agreement and in enforcing or collecting Obligations and all such expenses together with any money owing as a result of any borrowing permitted hereby shall be a charge on the proceeds of realization and shall be secured hereby.

ARTICLE 9- INDEMNITY, TAX AND RELATED PROVISIONS

9.1 Taxes

- (a) **Payments Subject to Taxes.** If any Loan Party, or the Lender, is required by Applicable Law to deduct or pay any Indemnified Taxes (including any Other Taxes) in respect of any payment by or on account of any obligation of a Loan Party hereunder or under any other Loan Agreement, then (i) the sum payable shall be increased by that Loan Party when payable as necessary so that after making or allowing for all required deductions and payments (including deductions and payments applicable to additional sums payable under this Section) the Lender receives an amount equal to the sum it would have received had no such deductions or payments been required, (ii) the Loan Party shall make any such deductions required to be made by it under Applicable Law, and (iii) the Loan Party shall timely pay the full amount required to be deducted to the relevant Governmental Authority in accordance with Applicable Law.
- (b) **Payment of Other Taxes by the Borrower.** Without limiting the provisions of paragraph (a) above, the Borrower shall timely pay, or cause to be paid, any Other Taxes to the relevant Governmental Authority in accordance with Applicable Law.
- (c) **Indemnification by the Borrower.** The Borrower shall indemnify the Lender for and pay, within ten (10) Business Days after demand therefor, the full amount of any Indemnified Taxes or Other Taxes (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) paid by the Lender and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrower by the Lender shall be *prima facie* evidence thereof.
- (d) **Evidence of Payments.** As soon as practicable after any payment of Indemnified Taxes or Other Taxes by a Loan Party to a Governmental Authority, the Loan Party shall deliver to the Lender the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Lender.
- (e) **Treatment of Certain Refunds and Tax Reductions.** If the Lender determines, in its sole discretion, that it has received a refund of any Taxes or Other Taxes to which it has been indemnified by the Borrower or with respect to which a Loan Party has paid additional amounts pursuant to this Section or that, because of the payment of such Taxes or Other Taxes, it has benefited from a reduction in Excluded Taxes otherwise payable by it, it shall pay to the Borrower or the Loan Party, as applicable, an amount equal to such refund or reduction (but only to the extent of indemnity payments made, or additional amounts paid, by the Borrower or the Loan Party under this Section with respect to the Taxes or Other Taxes giving rise to such refund or reduction), net of all out-of-pocket expenses of the Lender and without interest (other than any net after-tax interest paid by the relevant Governmental Authority with respect to such refund). The Borrower or Loan Party as applicable, upon the request of the Lender, agrees to repay the amount paid over to the Borrower or the Loan Party (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Lender if the Lender is required to repay such refund or reduction to such Governmental Authority. This paragraph shall not be construed to require the Lender to make available its tax returns (or any other information relating to its taxes that it deems confidential) to the Borrower or any other Person, to arrange its affairs in any particular manner or to claim any available refund or reduction.
- (f) **Accounting.** Upon request of the Borrower, the Lender shall provide a detailed computation of any Taxes or Other Taxes for which it requests compensation under this Section 9.1.

9.2 Indemnity for Transactional and Environmental Liability

- (a) The Borrower hereby agrees to indemnify, exonerate and hold the Lender and its partners, officers, directors, employees, agents and shareholders, where applicable (collectively, the "**Indemnified Parties**") free and harmless from and against any and all claims, demands, actions, causes of action, suits, losses, costs (including, without limitation, all documentary, recording, filing, mortgage or other stamp taxes or duties), charges, liabilities and damages, and expenses in connection therewith (irrespective of whether such Indemnified Party is a party to the action for which indemnification hereunder is sought), and including, without limitation, reasonable legal fees and out of pocket disbursements and amounts paid in settlement of any and every kind whatsoever when such amounts paid in settlement have been approved by the Borrower, acting reasonably (collectively, in this Section 9.2(a), the "**Indemnified Liabilities**"), paid, incurred or suffered by, or asserted against, the Indemnified Parties or any of them as a result of, or arising out of, or relating to (i) any transaction financed or to be financed in whole or in part, directly or indirectly, with the proceeds of any credit extended hereunder, (ii) any actual or threatened investigation, litigation or other proceeding relating to any credit extended or proposed to be extended as contemplated herein or (iii) the occurrence of any Event of Default; except for any Excluded Taxes and any such Indemnified Liabilities which a court of competent jurisdiction determines, pursuant to a final non-appealable order, arose on account of the relevant Indemnified Party's breach of any Loan Agreement, gross negligence or wilful misconduct.
- (b) Without limiting the generality of the indemnity set out in Section 9.2(a), the Borrower hereby further agrees to indemnify, exonerate and hold the Indemnified Parties free and harmless from and against any and all claims, demands, actions, causes of action, suits, losses, costs, charges, liabilities and damages, and expenses in connection therewith, including, without limitation, reasonable legal fees and out of pocket disbursements, and amounts paid in settlement of any and every kind whatsoever when such amounts paid in settlement have been approved by the Borrower (collectively, in this Section 9.2(b), the "**Indemnified Liabilities**"), paid, incurred or suffered by, or asserted against, the Indemnified Parties or any of them for, with respect to, or as a direct or indirect result of, (i) the presence on or under, or the escape, seepage, leakage, spillage, discharge, emission or release from, any real property legally or beneficially owned (or any estate or interest which is owned), leased, used or operated by the Borrower or any other Loan Party, of any Hazardous Material or (ii) the breach or violation of any Environmental Law by the Borrower or any other Loan Party, regardless of whether caused by, or within the control of, the Borrower or Loan Party, as the case may be; except for any such Indemnified Liabilities which a court of competent jurisdiction determines, pursuant to a final non-appealable order, arose on account of the relevant Indemnified Party's breach of any Loan Agreement, gross negligence or wilful misconduct.
- (c) All obligations provided for in this Section 9.2 shall survive the payment of the Obligations and the termination and non-renewal of this Agreement and shall not be reduced or impaired by any investigation made by or on behalf of the Lender.
- (d) The Borrower hereby agrees that, for the purposes of effectively allocating the risk of loss placed on the Borrower by this Section 9.2, the Lender shall be deemed to be acting as the agent or trustee on behalf of and for the benefit of its shareholders, partners, officers, directors, employees and agents.
- (e) If, for any reason, the obligations of the Borrower pursuant to this Section 9.2 shall be unenforceable, the Borrower agrees to make the maximum contribution to the payment and satisfaction of each obligation that is permissible under Applicable Law, except to the extent that a court of competent jurisdiction determines such obligations arose on account of the breach of any Loan Agreement or the gross negligence or wilful misconduct of any Indemnified Party or to the extent that such obligations relate to Excluded Taxes.
- (f) To the fullest extent permitted by Applicable Law, the Borrower shall not assert, and hereby waives, any claim against any Indemnified Party, on any theory of liability, for indirect, consequential, punitive, aggravated or exemplary damages (as opposed to direct damages) arising out of, in connection with, or as a result of, this Agreement, any other Loan Agreement or any

agreement or instrument contemplated hereby (or any breach thereof), the transactions contemplated hereby or thereby, any Loan or the use of the proceeds thereof. Except to the extent resulting from the gross negligence or wilful misconduct of such Indemnified Party, no Indemnified Party shall be liable for any damages arising from the use by unintended recipients of any information or other materials distributed by it through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Loan Documents or the transactions contemplated hereby or thereby.

ARTICLE 10 - WAIVERS AND CONSENTS; GOVERNING LAW

10.1 Governing Law; Choice of Forum; Service of Process

- (a) The validity, interpretation and enforcement of this Agreement and the other Loan Documents and any dispute arising out of the relationship between the parties hereto, whether in contract, tort, equity or otherwise, shall be governed by the laws of the Province of Alberta and the federal laws of Canada applicable therein; except as otherwise may be otherwise expressly provided in the Loan Documents.
- (b) Except as otherwise specifically stated in the other Loan Documents, the Loan Parties and the Lender irrevocably consent and submit to the non-exclusive jurisdiction of the courts of the Province of Alberta and waive any objection based on venue or *forum non conveniens* with respect to any action instituted therein arising under this Agreement or any of the other Loan Documents or in any way connected with or related or incidental to the dealings of the parties hereto in respect of this Agreement or any of the other Loan Documents or the transactions related hereto or thereto, in each case whether now existing or hereafter arising, and whether in contract, tort, equity or otherwise, and agree that any dispute with respect to any such matters shall be heard only in the courts described above (except that the Lender shall have the right to bring any action or proceeding against any Loan Party or its property in the courts of any other jurisdiction which the Lender deems necessary or appropriate in order to realize on the Collateral or to otherwise enforce the Lender's rights against any Loan Party or its property).
- (c) To the extent permitted by Applicable Law, each Loan Party hereby waives personal service of any and all process upon it and consents that all such service of process may be made by registered mail (return receipt requested) directed to its address set forth on the signature pages hereof and service so made shall be deemed to be completed five (5) days after the same shall have been so deposited in the Canadian mail, or, at the Lender's option, by service upon the Loan Parties in any other manner provided under the rules of any such courts. Within thirty (30) days after such service, such Loan Party shall appear in answer to such process, failing which such Loan Party shall, to the extent the applicable rules of civil procedure allow or permit, be deemed in default and judgment may be entered by the Lender against such Loan Party for the amount of the claim and other relief requested.
- (d) The Lender shall not have any liability to any Loan Party (whether in tort, contract, equity or otherwise) for losses suffered by any Loan Party in connection with, arising out of, or in any way related to the transactions or relationships contemplated by this Agreement or any other Loan Agreement, or any act, omission or event occurring in connection herewith, unless it is determined by a final judgment or court order binding on the Lender, that the losses were the result of any breach of any Loan Documents or acts or omissions constituting gross negligence or willful misconduct. In any such litigation, the Lender shall be entitled to the benefit of the rebuttable presumption that it acted in good faith and with the exercise of ordinary care in the performance by it of the terms of this Agreement or any other Loan Agreement. Notwithstanding the foregoing, no claim may be made by Loan Parties or any other Person against the Lender or the Affiliates, directors, officers, employees, or agents of any of them for any special, indirect, consequential or punitive damages in respect of any claim for breach of contract of any other theory of liability arising out of or related to the transactions contemplated by this Agreement or any other Loan Agreement, or any act, omission or event occurring in connection therewith, and each Loan Party hereby waives, releases and agrees not to sue upon any claim for such damages, whether or not accrued and whether or not known or suspected to exist in its favour.

- (e) Each Loan Party hereby expressly waives, to the extent permitted by Applicable Law, all rights of notice and hearing of any kind prior to the exercise of rights by the Lender at any time an Event of Default exists to repossess the Collateral with judicial process or to replevy, attach or levy upon the Collateral or other security for the Obligations. Each Loan Party hereby waives, to the extent permitted by Applicable Law, the posting of any bond otherwise required of the Lender in connection with any judicial process or proceeding to obtain possession of, replevy, attach or levy upon the Collateral or other security for the Obligations, to enforce any judgment or other court order entered in favour of the Lender, or to enforce by specific performance, temporary restraining order, preliminary or permanent injunction, this Agreement or any other Loan Agreement.

10.2 Waiver of Notices

Each Loan Party hereby expressly waives, to the extent permitted by Applicable Law, demand, presentment, protest and notice of protest and notice of dishonour with respect to any and all instruments and commercial paper, included in or evidencing any of the Obligations or the Collateral, and any and all other demands and notices of any kind or nature whatsoever with respect to the Obligations, the Collateral and this Agreement, except such as are expressly provided for herein. No notice to or demand on any Loan Party which the Lender may elect to give shall entitle such Loan Party to any other or further notice or demand in the same, similar or other circumstances.

10.3 Amendments and Waivers

Any term, covenant or condition of any of the Loan Documents may only be amended with the prior consent of Borrower and the Lender or compliance therewith may be waived (either generally or in a particular instance and either retroactively or prospectively) by the Lender and in any such event the failure to observe, perform or discharge any such covenant, condition or obligation, so amended or waived (whether such amendment is executed or such consent or waiver is given before or after such failure) shall not be construed as a breach of such covenant, condition or obligation or as a Default or Event of Default.

10.4 Waiver of Counterclaims

Except as otherwise provided in the Loan Documents with respect to the Lender's gross negligence, fraud or intentional misconduct, each Loan Party waives all rights to interpose any claims, deductions, setoffs or counterclaims of any nature (other than compulsory counterclaims) in any action or proceeding with respect to this Agreement, the other Loan Documents, the Obligations, the Collateral or any matter arising therefrom or relating hereto or thereto.

ARTICLE 11 - MISCELLANEOUS

11.1 Notices; Effectiveness; Electronic Communication

- (a) **Notices Generally.** Except in the case of notices and other communications expressly permitted to be given by telephone (and except as provided in paragraph (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by facsimile to the addresses or facsimile numbers specified elsewhere in this Agreement or, if to the Lender, to it at its address or facsimile number specified in this Agreement or, if to a Loan Party other than Borrower, in care of Borrower.

Notices sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices sent by facsimile shall be deemed to have been given when sent (except that, if not given on a Business Day between 9:00 a.m. and 5:00 p.m. local time where the recipient is located, shall be deemed to have been given at 9:00 a.m. on the next Business Day for the recipient). Notices delivered through electronic communications to the extent provided in paragraph (b) below, shall be effective as provided in said paragraph (b).

- (b) **Electronic Communications.** Notices and other communications to the Lender hereunder may be delivered or furnished by electronic communication (including e-mail and internet or intranet websites) pursuant to procedures approved by the Lender. The Lender or the Borrower may, in its discretion, agree to accept notices and other communications to it hereunder by electronic

communications pursuant to procedures approved by it, provided that approval of such procedures may be limited to particular notices or communications.

Unless the Lender otherwise prescribes, (i) notices and other communications sent to an e-mail address shall be deemed received upon the sender's receipt of an acknowledgement from the intended recipient (such as by the "return receipt requested" function, as available, return e-mail or other written acknowledgement), provided that if such notice or other communication is not sent during the normal business hours of the recipient, such notice or communication shall be deemed to have been sent at the opening of business on the next business day for the recipient, and (ii) notices or communications posted to an internet or intranet website shall be deemed received upon the deemed receipt by the intended recipient at its e-mail address as described in the foregoing clause (i) of notification that such notice or communication is available and identifying the website address therefor.

- (c) **Change of Address, Etc.** Any Loan Party may change its address, phone or fax number, email address or other contact information for notices and other communications hereunder by notice to the Lender and the other parties hereto.

11.2 Partial Invalidity

If any provision of this Agreement is held to be invalid or unenforceable, such invalidity or unenforceability shall not invalidate this Agreement as a whole, but this Agreement shall be construed as though it did not contain the particular provision held to be invalid or unenforceable and the rights and obligations of the parties hereto shall be construed and enforced only to such extent as shall be permitted by Applicable Law.

11.3 Successors and Assigns

- (a) **Successors and Assigns Generally.** The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that no Loan Party may assign or otherwise transfer any of its rights or obligations hereunder or under any other Loan Agreement without the prior written consent of the Lender and any other attempted assignment or transfer shall be null and void. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, and, to the extent expressly contemplated hereby, the Related Parties of the Lender) any legal or equitable right, remedy or claim under or by reason of this Agreement.
- (b) **Assignments by Lender.** The Lender may at any time assign to one or more Persons, all or a portion of its rights and obligations under this Agreement (including all or a portion of the Loan at the time owing to it); provided that:
- (i) except if an Event of Default has occurred and is continuing, the assignee shall not be a non-resident (as defined in the *Income Tax Act* (Canada));
 - (ii) each partial assignment shall be made as an assignment of a proportionate part of all the Lender's rights and obligations under this Agreement with respect to the Loan assigned, except that this clause (ii) shall not prohibit the Lender from assigning all or a portion of its rights and obligations among separate credits on a non-pro rata basis; and
 - (iii) the parties to each assignment shall execute and deliver to the Lender an Assignment and Assumption.

If an Event of Default has occurred and is continuing, the Lender may assign to one or more Persons, all or a portion of its rights under the Loan Documents with no further restriction or requirement.

From and after the effective date specified in each Assignment and Assumption, the transferee thereunder shall be a party to this Agreement and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of the Lender under this Agreement and the other Loan Documents, including any collateral security, and the Lender shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its

obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, the Lender shall cease to be a party hereto) but shall continue to be entitled to the benefits of Article 4 and Section 7.17, and shall continue to be liable for any breach of this Agreement by such Lender, with respect to facts and circumstances occurring prior to the effective date of such assignment. Any payment by an assignee to the Lender in connection with an assignment or transfer shall not be or be deemed to be a repayment by the Borrower or a new Loan to Borrower.

11.4 Entire Agreement

This Agreement, the other Loan Documents, any supplements hereto or thereto, and any instruments or documents delivered or to be delivered in connection herewith or therewith represents the entire agreement and understanding concerning the subject matter hereof and thereof between the parties hereto, and supersede all other prior agreements, understandings, negotiations and discussions, representations, warranties, commitments, proposals, offers and contracts concerning the subject matter hereof, whether oral or written, including without limitation any term sheet or commitment letter issued by the Lender prior to the date hereof. In the event of any inconsistency between the terms of this Agreement and any schedule or exhibit hereto, the terms of this Agreement shall govern.

11.5 Headings

The division of this Agreement into Sections and the insertion of headings and a table of contents are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

11.6 Judgment Currency

To the extent permitted by Applicable Law, the obligations of Borrower in respect of any amount due under this Agreement shall, notwithstanding any payment in any other currency (the "**Other Currency**") (whether pursuant to a judgment or otherwise), be discharged only to the extent of the amount in the currency in which it is due (the "**Agreed Currency**") that the Lender may, in accordance with normal banking procedures, purchase with the sum paid in the Other Currency (after any premium and costs of exchange) on the Business Day immediately after the day on which the Lender receives the payment. If the amount in the Agreed Currency that may be so purchased for any reason falls short of the amount originally due, the Borrower shall pay all additional amounts, in the Agreed Currency, as may be necessary to compensate for the shortfall. Any obligation of the Borrower not discharged by that payment shall, to the extent permitted by Applicable Law, be due as a separate and independent obligation and, until discharged as provided in this Section, continue in full force and effect.

11.7 Counterparts; Integration; Effectiveness; Electronic Execution

- (a) **Counterparts; Integration; Effectiveness.** This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. Except as provided in the conditions precedent Section(s) of this Agreement, this Agreement shall become effective when it has been executed by the Lender and when the Lender has received counterparts hereof that, when taken together, bear the signatures of each of the other parties hereto. Delivery of an executed counterpart of a signature page of this Agreement by facsimile or by sending a scanned copy by electronic mail shall be effective as delivery of a manually executed counterpart of this Agreement.
- (b) **Electronic Execution of Assignments.** The words "execution", "signed", "signature", and words of like import in any Assignment and Assumption shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any Applicable Law, including Parts 2 and 3 of the *Personal Information Protection and Electronic Documents Act* (Canada) and other similar federal or provincial laws based on the *Uniform Electronic Commerce Act* of the Uniform Law Conference of Canada or its *Uniform Electronic Evidence Act*, as the case may be.

11.8 Credit Information

The Borrower hereby consents to the collection, use, exchange and disclosure on a confidential basis of credit or other information from time to time by the Lender with its partners, any other financial institution, credit bureau, credit reporting agency and any Person with whom Borrower may have business dealings with for the purpose of managing and administering the Loan. The Borrower understands that this information may be used for any purpose relating to the Loan, including, without limitation, the exercise of the Lender's rights hereunder or under any other agreement or document contemplated hereunder.

11.9 Confidentiality

The Lender agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to each of its and each of its Affiliates', limited partners, directors, officers, employees, agents and advisors, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made shall be informed of the confidential nature of such Information and shall be instructed and agree to keep such Information confidential), (b) to the extent requested by any Governmental Authority, or their legal counsel, (c) to the extent required by Applicable Laws or regulations or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies under any Loan Agreement or any suit, action or proceeding relating to any Loan Agreement or the enforcement of rights thereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any actual or prospective assignee of or Participant (or such assignee's or Participant's advisors) in any of its rights or obligations under this Agreement, or (g) with the consent of the Borrower. For the purposes of this Section, "**Information**" means all information received from the Borrower or any Loan Party relating to the Borrower, any of the Loan Parties, or their respective businesses, other than Information that (i) is or becomes publicly available other than as a result of a breach of this Section, (ii) is or becomes available to the Lender on a non-confidential basis prior to disclosure by the Borrower, (iii) was already in the possession of the Lender or not subject to any duty of confidentiality prior to its disclosure by the Borrower or any other Loan Party or (iv) is marked "non-confidential" (or such other words or expression having the same or similar meaning by the Borrower or any other Loan Party). Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information, acting prudently.

11.10 Paramountcy

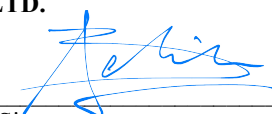
In the event of any conflict or inconsistency between the provisions of this Agreement and the provisions of any other Loan Agreement, the provisions of this Agreement shall prevail and be paramount. If any covenant, representation, warranty or event of default contained in any other Loan Agreement deals differently with, is in conflict with or is inconsistent with a provision of this Agreement relating to the same specific matter, such covenant, representation, warranty or event of default shall be deemed to be amended to the extent necessary to ensure that it does not deal differently with, is not in conflict with or inconsistent with the provision of this Agreement relating to the same specific matter.

[Signature pages follow]

IN WITNESS WHEREOF, the Lender and the Borrower have caused these presents to be duly executed as of the day and year first above written.

LENDER

ARNAKI LTD.

Per: 
Authorized Signatory **ARIEL S BELILO**
DIRECTOR

Address:
Ellen Skelton Building, 3076 Sir Francis Drake Highway,
Road Reef, P.O. Box 765, Road Town, Tortola VG1110,
British Virgin Islands

BORROWER

SOLVAQUA INC.

DocuSigned by:

Chris Tesarski

Per: _____

Name: Chris Tesarski

Title: President and Chief Executive Officer

Chief Executive Office Address:

1050, 444 – 5th Avenue SW Calgary, AB T2T 2T8

Attention: Chris Tesarski

Acknowledgement

Each of the undersigned Loan Parties hereby acknowledges and agrees to be bound by the terms and conditions contained in this Agreement, as of the day and year first above written.

CORESOURCE SOLUTIONS LLC

DocuSigned by:
Chris Tesarski
Per: _____
3CD3B233A61B415...
Name:
Title:

CORESOURCE SOLUTIONS (CANADA) INC.

DocuSigned by:
Chris Tesarski
Per: _____
3CD3B233A61B415...
Name:
Title:

Exhibit A
**Chief Executive Offices and
Locations of Collateral**

Chief Executive Offices of the Loan Parties:

Canadian Office:

Suite 300, 340 Midpark Way SE
Calgary, AB T2X 1P1

US Office:

Suite 1600, 1600 Broadway
Denver, CO 80202

Mexico City Office:

Paseo de la Reforma 2654, 9th Floor
Miguel Hidalgo Delegation, Col.
Lomas Aitas, 11950 Mexico City, DF

Other Locations of Collateral or place of business or where Inventory and other assets are maintained or stored:

Almaloya del Rio, Mexico
Abilene, TX
Calgary, AB
Grand Forks, AB
Billings, MT
Glenrock, WY
Edmonton, AB
Denver, CO

Exhibit B
Assignment and Assumption

This Assignment and Assumption (the "Assignment and Assumption") is dated as of the Effective Date set forth below and is entered into by and between [Insert name of Assignor] (the "Assignor") and [Insert name of Assignee] (the "Assignee"). Capitalized terms used but not defined herein shall have the meanings given to them in the Loan Agreement identified below (as amended, the "Loan Agreement"), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Loan Agreement, as of the Effective Date inserted by Lender as contemplated below (i) all of the Assignor's rights and obligations in its capacity as a Lender under the Loan Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor and (ii) to the extent permitted to be assigned under Applicable Law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Loan Agreement, any other documents or instruments delivered pursuant thereto or the loan-transactions governed thereby or in any way based on or related to any of the foregoing, including, but not limited to, contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clause (i) and (ii) above being referred to herein collectively as, the "Assigned Interest"). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

- 1. Assignor: _____
- 2. Assignee: _____
- 3. Borrower: _____
- 5. Loan Agreement: _____
- 6. Assigned Interest: _____

Effective Date: _____, 20__ [TO BE INSERTED BY LENDER AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR
[NAME OF ASSIGNOR]

By: _____
Title:

ASSIGNEE
[NAME OF ASSIGNEE]

By: _____
Title:

ANNEX 1 to Assignment and Assumption
STANDARD TERMS AND CONDITIONS FOR
ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties

Assignor

The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any Security Interest, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Loan Agreement or any other Loan Agreement, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of the Borrower, any of its Subsidiaries or Affiliates, any Loan Party or any other Person obligated in respect of any Loan Agreement or (iv) the performance or observance by the Borrower, any of its Subsidiaries or Affiliates or any Loan Party or any other Person of any of their respective obligations under any Loan Agreement.

Assignee

The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Loan Agreement, (ii) it meets all requirements of an assignee under the Loan Agreement (subject to receipt of such consents as may be required under the Loan Agreement), (iii) from and after the Effective Date, it shall be bound by the provisions of the Loan Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, and (iv) it has received a copy of the Loan Agreement, together with copies of the most recent financial statements delivered pursuant to Section 7.7 thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Lender; and (b) agrees that (i) it shall, independently and without reliance on the Assignor, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it shall perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a lender.

General Provisions

This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and permitted assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy or by sending a scanned copy by electronic mail shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law governing the Loan Agreement.

Exhibit C
Real Property

None.

Exhibit D
Organizational Matters

Issued and Outstanding Shares:

Corporation	Shareholders	Number and Class Issued
solvAqua Inc.	Chris Tesarski	100 Common Shares

Details of Shareholder Agreement:

None

Rights to repurchase, redeem retire or otherwise acquire issued securities of the Loan Parties:

None

Statutory or contractual pre-emptive rights, ROFR's, anti-dilution or similar rights applicable to any securityholders of the Loan Parties:

None

Rights to purchase securities granted to any Person:

None

Exhibit E
Material Contracts

Description of Material Contracts:

Project Charter for WMS Process Water Recovery with VivaVentures Inc. dated April 9, 2020

MFD Technology License between CoResource Solutions LLC and Sutherland Separation Systems Inc. dated August 9, 2016

Loan Agreement as between Arnaki Ltd., as lender, and solvAqua Inc., as borrower dated August 31, 2020

Project Charter for WMS Process Water Recovery with The Clear Capital Croup of Companies. dated December 30, 2020

Project Charter for WMS Process Water Recovery with Salillari SH.P.K. dated January 15th, 2021

Exhibit F
Intellectual Property

LICENSE AGREEMENTS

License Agreement as between George Sutherland, as patent holder, and CoResource Solutions LLC for an exclusive comprehensive license to the following patent:

REGISTERED PATENTS

Country	Patent No.	Patent Title
United States	7,750,066 B2	Treatment of Aqueous Compositions Containing Contaminants

License Agreement as between Ian Ireland, as provisional patent holder, and CoResource Solutions LLC for an exclusive comprehensive license to the following patent:

PENDING PATENTS

Country	Application No.	Patent Title and Additional Information
United States	62/187,579	Micro-Encapsulating Flocculating Dispersion Water Treatment System

Exhibit G
Litigation

Description of Litigation:

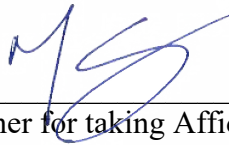
Statement of Claim between Allan John Mahoney, as plaintiff, and solvAqua Inc., CoResource Solutions (Canada) Inc., CoResource Solutions (Canada) Inc. and Chris Tesarski dated June 23, 2020

Claim is for unpaid consulting services - aggregate claim of CDN\$303,712.00, including \$50,000 punitive damages.

Exhibit H
Environmental

None

This is Exhibit "E" referred to in the
Affidavit of Ariel S. Belilo affirmed before
me, this 15th day of August, 2022

A handwritten signature in blue ink, appearing to read 'MC', is written over a horizontal line.

A Commissioner for taking Affidavits, etc.

Michael Crampton, LSO #74512G

GUARANTEE

THIS GUARANTEE is dated for reference the 31st day of August, 2020.

WHEREAS:

A. **ARNAKI LTD.**, a corporation incorporated pursuant to the laws of the British Virgin Islands, having an office at Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Reef, P.O. Box 765, Road Town, Tortola VG1110, British Virgin Islands (the "**Lender**") has advanced or will advance a loan (the "**Loan**") in the aggregate principal amount not exceeding USD\$2,000,000 to **SOLVAQUA INC.**, a corporation incorporated under the laws of the Province of Alberta with its head office at Suite 1050, 444 – 5th Avenue SW, Calgary, AB T2P 2T8 (the "**Borrower**"), under the terms of a loan agreement (the "**Loan Agreement**") and will grant or cause to be granted to the Lender a general security agreement and such other security as may be specified in the Loan Agreement or otherwise requested by the Lender as security for the Loan (the "**Lender's Security**");

B. As a condition of and as security for the Loan, the Lender requires that **CORESOURCE SOLUTIONS LLC**, a limited liability company formed under the laws of the State of Texas with its head office at Suite 1600, 1600 Broadway, Denver, CO 80202 (the "**Guarantor**") provide a continuing guarantee of all present and future indebtedness and liabilities of the Borrower to the Lender, and the observance and performance by the Borrower of all the obligations to the Lender of the Borrower under the Loan Agreement or under the Lender's Security held from time to time (collectively, the "**Guaranteed Obligations**"); and

C. The Guarantor will derive an indirect benefit from the Loan and considers that the provision of the Loan is in its best interests.

FOR CONSIDERATION of the sum of \$1.00, the receipt and sufficiency of which is hereby acknowledged, the Guarantor agrees with the Lender as follows:

1. The Guarantor unconditionally guarantees to the Lender the due payment by the Borrower to the Lender of the Loan and any other amounts due from the Borrower to the Lender and the performance of the Guaranteed Obligations, in each case, whether under the Loan Agreement, the Lender's Security or otherwise.

2. This Guarantee is a continuing guarantee and is not limited by amount, time or otherwise.

3. Without releasing, discharging, limiting or otherwise affecting in whole or in part the obligations and liabilities of the Guarantor hereunder and without the consent of or notice to the Guarantor, the Lender may:

- (a) grant time, renewals, extensions, indulgences, releases and discharges to the Borrower or any other person or persons now or hereafter liable to the Lender in respect of the Loan or the Guaranteed Obligations;
- (b) take or refrain from taking securities or collateral from the Borrower or any other person or persons or from perfecting such securities or collateral;

- (c) give up, modify, exchange, renew, release, discharge, compromise, realize, enforce or otherwise deal with or do any act or thing (with or without consideration) in respect of any and all collateral, mortgages or other security given by the Borrower or any other person or persons with respect to the Guaranteed Obligations;
- (d) accept compromises or arrangements from the Borrower;
- (e) exercise any right or remedy which the Lender may have against the Borrower or any other person or persons or with respect to any security for the Guaranteed Obligations, including judicial and non-judicial foreclosure;
- (f) apply all monies at any time received from the Borrower or any other person or persons or from securities upon such part of the Guaranteed Obligations as the Lender may see fit or change any such application in whole or in part from time to time as the Lender may see fit; or
- (g) otherwise deal with, or waive or modify its rights to deal with, the Borrower and any other person or persons and securities as the Lender may see fit;

and in no case shall the Lender be responsible for any neglect or omission with respect to any of the foregoing.

4. The Guarantor renounces all benefits of discussion and division.

5. This Guarantee will not be considered as wholly or partially satisfied by the payment or liquidation at any time or times of any sum or sums of money for the time being due or remaining unpaid to the Lender, and all dividends, compositions, proceeds of security valued and payments received by the Lender from the Borrower or from others or from estates shall be regarded for all purposes as payments in gross without any right on the part of the Guarantor to claim in reduction of the liability under this Guarantee the benefit of any such dividends, compositions, proceeds or payments or any securities held by the Lender or proceeds thereof.

6. All monies, advances, renewals and credits in fact borrowed or obtained by the Borrower from the Lender under the Loan Agreement or under any security held from time to time by the Lender for the Loan will be deemed to form part of the Guaranteed Obligations, notwithstanding any lack or limitation of status or of power, incapacity or disability of the Borrower or of the directors, partners or agents thereof, or that the Borrower may not be a legal or suitable entity, or any irregularity, defect or informality in the borrowing or obtaining of such monies, advances, renewals or credits, the whole whether known to the Lender or not; and any sum which may not be recoverable from the Guarantor as guarantor shall be recoverable from the Guarantor as sole or principal debtor in respect thereof and shall be paid to the Lender as aforesaid.

7. This Guarantee is in addition to and not in substitution for any other guarantee, by whomsoever given, at any time held by the Lender, and any present or future obligation to the Lender incurred or arising otherwise than under a guarantee of the Guarantor or of any other obligant, whether bound with or apart from the Borrower.

8. The Guarantor will be bound by any account settled between the Lender and the Borrower, and if no such account has been so settled any account stated by the Lender will be accepted by the Guarantor as *prima facie* evidence of the amount which at the date of the account so stated is due by the Borrower to the Lender or remains unpaid by the Borrower to the Lender.

9. The Guarantor will not at any time claim to be subrogated in any manner to the rights and position of the Lender and will not claim the benefit of any security at any time held by the Lender until the Lender has received payment in full of all monies, interest and other amounts due to the Lender under or relating to the Guaranteed Obligations.

10. The Lender will not be bound to exhaust its recourse against the Borrower or other parties or the Lender's Security or other security it may hold before requiring payment of the Guarantor, and the Lender may enforce the various remedies available to it and may realize upon the various securities or any part of such securities in such order as the Lender may determine.

11. No suit based upon this Guarantee shall be instituted until demand for payment has been made, and demand for payment shall be deemed to have been effectively made upon the Guarantor at its address given above, and demand for payment will be deemed to have been effectively made at the time of transmission or delivery.

12. This Guarantee shall not be discharged, limited or otherwise affected by anything done, suffered or permitted by the Lender in connection with the Borrower, the Loan, the Guaranteed Obligations or any security held by or granted to the Lender to evidence or secure payment of the Guaranteed Obligations or otherwise. Without limiting the generality of the foregoing, the obligations and liabilities of the Guarantor hereunder shall not be released, disclosed, limited or otherwise affected by:

- (a) any change to the terms of the Guaranteed Obligations, including, without limitation and to the extent applicable, any extension to the term of the Loan Agreement, any increase or decrease of the interest rate(s) set forth in the Loan Agreement and any increase or decrease in the amount of the Loan;
- (b) the insolvency or bankruptcy of the Borrower or the Guarantor;
- (c) the appointment of a receiver for the assets of the Borrower or the Guarantor;
- (d) any change in the name of the Borrower or the Guarantor or the reorganization, merger or amalgamation of the Borrower or the Guarantor;
- (e) the acquisition of the Borrower's businesses or the Guarantor's business by a person or corporation;
- (f) any change whatsoever in the objects, capital structure, constitution or constating documents of the Borrower or the Guarantor;
- (g) any defect in, omission from, failure to file or register or defective filing or registration of any instrument under which the Lender have taken any security or

collateral for payment of the Guaranteed Obligations or performance or observance of any obligation of the Borrower, the Guarantor (whether under this Guarantee or otherwise) or of any other person who is or may become liable in respect of the Guaranteed Obligations; or

- (h) any other circumstance, apart from repayment of the Loan in whole or performance of the Guaranteed Obligations in whole, which might otherwise constitute a legal or equitable defence available to, or a complete or partial discharge of, the Borrower in respect of the Guaranteed Obligations or of the Guarantor in respect of this Guarantee,

but shall, notwithstanding the happening of any such event before or after the execution of this Guarantee, continue to apply to the Guaranteed Obligations. (In this instrument the word "**Borrower**" or "**Guarantor**", as applicable, includes every entity described in paragraphs (d) and (e) above).

13. This Guarantee will be operative and binding upon the Guarantor, and possession of this instrument by the Lender or its assigns will be conclusive evidence against the Guarantor that this Guarantee was not delivered in escrow or pursuant to any agreement that it should not be effective until any conditions precedent or subsequent had been complied with.

14. The Guarantor hereby waives notice of its acceptance of this Guarantee, notice of transactions or obligations contracted or incurred by the Borrower under this Guarantee, notice of default of the Borrower and demand for payment upon the Borrower and the Guarantor.

15. This Guarantee covers all agreements between the parties hereto concerning this Guarantee, and none of the parties shall be bound by any representation or promise made by any person relative thereto which is not expressly embodied in this Guarantee, the Loan Agreement or documents contemplated by the Loan Agreement delivered by the Guarantor to the Lender concurrently herewith, securing the Guaranteed Obligations hereunder.

16. This Guarantee is governed by the laws of the Province of Alberta, and the Guarantor attorns to the non-exclusive jurisdiction of the Courts of Alberta in respect of all disputes which may arise under this Guarantee.

17. So long as any part of the Loan, the Guaranteed Obligations or any related amounts due, owing or accrued to the Lender remain unpaid or outstanding, the Guarantor assumes all responsibility for being and keeping itself informed of the financial condition of the Borrower and of all circumstances bearing upon the nature, scope and extent of the risk which the Guarantor assumes and incurs under this Guarantee.

18. The Guarantor represents and warrants to the Lender that:

- (a) the Guarantor has full power and capacity to enter into this Guarantee and to carry out the obligations contemplated in this Guarantee;
- (b) this Guarantee has been approved by all necessary corporate action on the part of the Guarantor and, when executed and delivered, will constitute a legal, valid and

binding obligation of the Guarantor, enforceable in accordance with the terms of this Guarantee;

- (c) the execution of this Guarantee will not contravene any provision of applicable law, regulation, order or permit applicable to the Guarantor, or result in a breach of or constitute a default under or require any consent under any agreement or instrument to which the Guarantor is a party or by which the Guarantor is bound; and
- (d) the Guarantor is not in default under any agreement or instrument to which it is a party which in any way materially and adversely affects its business and there are no suits or judicial proceedings or proceedings before any governmental authority, commission, board or other agency pending or to the knowledge of the Guarantor threatened against the Guarantor.

19. The Lender may assign its rights under this Guarantee with notice to the Guarantor to an assignee in accordance with the Loan Agreement.

20. The Guarantor acknowledges that there are reasonable grounds for believing that, and the directors of the Guarantor are of the opinion that, the giving of the financial assistance provided by this Guarantee is in the best interest of the Guarantor and the Guarantor is not insolvent at the time of giving this Guarantee.

21. This Guarantee enures to the benefit of the Lender and its successors and assigns and is binding on the Guarantor and its successors and assigns.

[Signature page to follow]

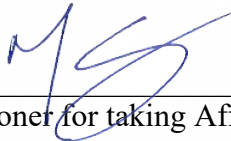
CORESOURCE SOLUTIONS LLC

DocuSigned by:

Per: _____
Chris Tesarski
Authorized Signatory

Signature Page to Guarantee of Enterra Feed US Corporation

This is Exhibit "F" referred to in the
Affidavit of Ariel S. Belilo affirmed before
me, this 15th day of August, 2022

A handwritten signature in blue ink, appearing to be 'MC', is written over a horizontal line.

A Commissioner for taking Affidavits, etc.

Michael Crampton, LSO #74512G

GUARANTEE**(CoResource Solutions (Canada) Inc.)**

THIS GUARANTEE is made as of August 31, 2020

WHEREAS CoResource Solutions (Canada) Inc. (hereinafter referred to as the "**Guarantor**") has agreed to provide Arnaki Ltd. (the "**Lender**") with a guarantee of the Obligations (as hereinafter defined) of solvAqua Inc. (hereinafter referred to as the "**Borrower**");

AND WHEREAS the Guarantor has agreed that if the guarantee is not enforceable, subject to the terms hereof, the Guarantor will indemnify the Lender or be liable as primary obligor, in each case, subject to the terms hereof.

NOW THEREFORE THIS GUARANTEE WITNESSES that in consideration of the premises and the covenants and agreements herein contained, the sum of \$10.00 now paid by the Lender to the Guarantor and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Guarantor covenants with the Lender as follows:

ARTICLE 1 - GUARANTEE**1.01 Guarantee**

The Guarantor, subject to the provisions of the limitation on liability provided in Section 1.02, hereby unconditionally and irrevocably guarantees payment to the Lender of all the debts and liabilities, present or future, direct or indirect, absolute or contingent, matured or not, at any time owing by the Borrower to the Lender or remaining unpaid by the Borrower pursuant to the Loan Agreement (collectively referred to as the "**Obligations**"). "**Loan Agreement**" means the Loan Agreement dated August 31, 2020 between the Lender and the Borrower, as may be amended, supplemented, modified or supplemented from time to time. All capitalized terms used herein and not otherwise defined have the meanings ascribed to them in the Loan Agreement.

1.02 Indemnity

If any or all of the Obligations are not duly paid by the Borrower and are not recoverable under Section 1.01 for any reason whatsoever, the Guarantor will as a separate and distinct obligation, indemnify and save harmless the Lender from and against all losses resulting from the failure of the Borrower to pay such Obligations.

1.03 Primary Obligation

If any or all of the Obligations are not duly paid by the Borrower and are not recoverable under Section 1.01 or the Lender is not indemnified under Section 1.02, in each case, for any reason whatsoever, such Obligations will, as a separate and distinct obligation, be recoverable from the Guarantor as primary obligor.

1.04 Obligations Absolute

The liability of the Guarantor hereunder will be absolute and unconditional and will not be affected by:

- (i) any lack of validity or enforceability of any agreement between the Borrower and the Lender;
- (ii) any impossibility, impracticability, frustration of purpose, illegality, *force majeure* or act of government;
- (iii) the bankruptcy, winding-up, liquidation, dissolution or insolvency of either of the Borrower or any other person or the amalgamation of or any change in the status, function, control or ownership of the Borrower, the Guarantor, the Lender or any other person;
- (iv) any lack or limitation of power, incapacity or disability on the part of either of the Borrower or of the directors, officers, employees or agents thereof or any other irregularity, defect or informality on the part the Borrower in their obligations to the Lender;
- (v) any other law, regulation or other circumstance that might otherwise constitute a defence available to, or a discharge of, the Borrower in respect of any or all of the Obligations; or
- (vi) the enforcement by the Lender of any other Security.

ARTICLE 2 - DEALING WITH OBLIGOR AND OTHERS

2.01 No Releases

The liability of the Guarantor hereunder will not be released, discharged, limited or in any way affected by anything done, suffered or permitted by the Lender in connection with any duties or liabilities of the Borrower to the Lender or any security therefor including any loss of or in respect of any security received by the Lender from the Borrower or others. Without limiting the generality of the foregoing and without releasing, discharging, limiting or otherwise affecting in whole or in part the Guarantor's liability hereunder, without obtaining the consent of or giving notice to the Guarantor, the Lender may:

- (i) discontinue, reduce, increase or otherwise vary the credit of the Borrower in any manner whatsoever;
- (ii) make any change in the time, manner or place of payment under, or in any other term of, any agreement between the Borrower and the Lender or waive the failure on the part of the Borrower to carry out any of its obligations under any such agreement;
- (iii) grant time, renewals, extensions, indulgences, releases and discharges to the Borrower;
- (iv) take or abstain from taking or enforcing securities or collateral from the Borrower or from perfecting securities or collateral of the Borrower;
- (v) accept compromises from the Borrower;
- (vi) apply all money at any time received from the Borrower or from securities upon such part of the Obligations as the Lender may see fit or change any

such application in whole or in part from time to time as the Lender may see fit; and

- (vii) otherwise deal with the Borrower and all other persons and securities as the Lender may see fit.

2.02 No Exhaustion of Remedies

The Lender will not be bound or obligated to exhaust its recourse against the Borrower or other persons or any securities or collateral it may hold or take any other action before being entitled to demand payment from the Guarantor hereunder.

2.03 Prima Facie Evidence

Any account settled or stated in writing by or between the Lender and the Borrower will be *prima facie* evidence that the balance or amount thereof appearing due to the Lender is so due.

2.04 No Set-off

In any claim by the Lender against the Guarantor, the Guarantor may not assert any set-off or counterclaim that either the Guarantor or the Borrower may have against the Lender.

2.05 Continuing Guarantee

The obligations of the Guarantor hereunder will constitute and be continuing obligations and will apply to and secure any ultimate balance due or remaining due to the Lender and will not be considered as wholly or partially satisfied by the payment or liquidation at any time of any sum of money for the time being due or remaining unpaid to the Lender. This Guarantee will continue to be effective even if at any time any payment of any of the Obligations is rendered unenforceable or is rescinded or must otherwise be returned by the Lender upon the occurrence of any action or event including the insolvency, bankruptcy or reorganization of the Borrower or otherwise, all as though such payment had not been made.

ARTICLE 3 - DEMAND

3.01 Demand

Upon the occurrence of an Event of Default (as defined in the Loan Agreement) that has not been either cured or waived in accordance with the provisions of the Loan Agreement, the Lender will be entitled to make demand upon the Guarantor for payment of all Obligations then due, including interest on overdue payments of principal and interest that has accrued to and including the date of such demand under the Loan Agreement (the "**Guaranteed Amount**").

3.02 Interest

In addition to the Guaranteed Amount, but without duplication of any amount of interest included therein, the Guarantor will pay interest to the Lender at the interest rate applicable to the Obligations then due, on the unpaid portion of the Guaranteed Amount payable by the Guarantor under this Guarantee, such interest to accrue from and including the date of demand by the Lender on the Guarantor. To the extent that the Lender receives payment from the Guarantor of any interest pursuant to this Section 3.02, the amount so received shall be in satisfaction of, and applied to the payment of, interest accruing on the corresponding Obligations pursuant to the Loan Agreement from and after the date of demand by the Lender on the Guarantor pursuant to this Guarantee.

ARTICLE 4 - ASSIGNMENT AND POSTPONEMENT

4.01 Assignment and Postponement

All debts and liabilities, present and future, of the Borrower to the Guarantor are hereby assigned to the Lender and postponed to the Obligations, and, upon the occurrence and during the continuance of an Event of Default, all money received by the Guarantor, directly or indirectly, after the date of such occurrence in respect thereof will be held in trust for the Lender and forthwith upon receipt will be paid over to the Lender, the whole without in any way lessening or limiting the liability of the Guarantor hereunder and this assignment and postponement is independent of the Guarantee and will remain in full force and effect until, in the case of the assignment, the liability of the Guarantor under this Guarantee has been discharged or terminated and, in the case of the postponement, until all Obligations are performed and paid in full. Notwithstanding this Section 4.01, until the occurrence of an Event of Default which is continuing, the Guarantor is entitled to receive money from the Borrower free of any obligation to the Lender.

ARTICLE 5 - GENERAL

5.01 Binding Effect of the Guarantee

This Guarantee will be binding upon the heirs, executors, administrators and successors of the Guarantor and will enure to the benefit of the Lender and its successors and assigns under the Loan Agreement.

5.02 Entire Agreement

This Guarantee constitutes the entire agreement between the Guarantor and the Lender with respect to the subject matter hereof and cancels and supersedes any prior understandings and agreements between such parties with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the parties except as expressly set forth herein. The Lender will not be bound by any representations or promises made by the Borrower to the Guarantor and possession of this Guarantee by the Lender will be conclusive evidence against the Guarantor that the Guarantee was not delivered in escrow or pursuant to any agreement that it should not be effective until any condition precedent or subsequent has been complied with and this Guarantee will be operative and binding notwithstanding the non-execution thereof by any proposed signatory.

5.03 Amendments and Waivers

No amendment to this Guarantee will be valid or binding unless set forth in writing and duly executed by the Guarantor and the Lender. No waiver of any breach of any provision of this Guarantee will be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided in the written waiver, will be limited to the specific breach waived.

5.04 Severability

If any provision of this Guarantee is determined to be invalid or unenforceable in whole or in part, such invalidity or unenforceability will attach only to such provision or part thereof and the remaining part of such provision and all other provisions hereof will continue in full force and effect.

5.05 Notices

Any demand, notice or communication to be made or given hereunder shall be in writing and may be made or given by personal delivery or by transmittal by telecopy, facsimile or other electronic means of communication addressed to the respective parties as follows:

To the Guarantor:

CoResource Solutions (Canada) Inc.
Suite 1050, 444 – 5th Avenue SW
Calgary, AB T2P 2P2
Attention: Chris Tesarski, President
Email Address: ctesarski@solvaqua.com

To the Lender:

Arnaki Ltd.
c/o TingleMerrett LLP
1250, 639 – 5th Ave. SW
Calgary, Alberta
T2P 0M9
Attention: Scott Reeves, Counsel
Email Address: sreeves@tinglemerrett.com

Fax: (403) 571-8008

or to such other address or facsimile number as any party may from time to time notify the others in accordance with this Section 5.05. Any demand, notice or communication made or given by personal delivery shall be conclusively deemed to have been given on the day of actual delivery thereof, or, if made or given by other electronic means of communication, on the first Business Day following the transmittal thereof.

5.06 Discharge

Upon payment in full of the Obligations this Guarantee shall be terminated and be of no further force and effect, and the Guarantor will automatically be discharged from any and all of its obligations hereunder.

5.07 Security

In accordance with the terms of the Loan Agreement and as a condition of funding of the advance under the Loan Agreement, the Guarantor shall enter into a general security agreement charging all present and after acquired personal property of the Guarantor and such other security as the Lender may reasonably require to secure the Obligations secured by this Guarantee.

5.08 Governing Law

This Guarantee will be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

5.09 Headings

The division of this Guarantee into Articles and Sections and the insertion of headings are for convenience of reference only and will not affect the construction or interpretation of this

Guarantee. The terms “hereof”, “hereunder” and similar expressions refer to this Guarantee and not to any particular Article, Section or other portion hereof and include any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles and Sections are to Articles and Sections of this Guarantee.

5.10 Extended Meanings

In this Guarantee words importing the singular number only include the plural and *vice versa*, words importing any gender include all genders and words importing persons include individuals, partnerships, associations, trusts, unincorporated organizations and corporations.

5.11 Conflict

To the extent that there is any conflict or inconsistency between this Guarantee and the Loan Agreement, the provisions of the Loan Agreement shall prevail. Notwithstanding the foregoing, in the event that this Guarantee contains remedies which are in addition to the remedies set forth in the Loan Agreement, the existence of such remedies shall not constitute a conflict with the terms of this Guarantee.

5.12 Executed Copy

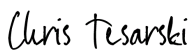
The Guarantor acknowledges receipt of a fully executed copy of this Guarantee and of the Loan Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF the Guarantor has duly executed and delivered this Guarantee as of the date first written above.

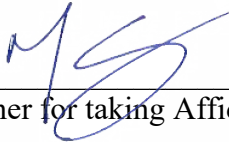
CORESOURCE SOLUTIONS (CANADA) INC.

By:
Name:
Title:

DocuSigned by:

3CD3B233A61B415...

I have the authority to bind the Corporation.

This is Exhibit "G" referred to in the
Affidavit of Ariel S. Belilo affirmed before
me, this 15th day of August, 2022

A handwritten signature in blue ink, appearing to read 'MS', is written over a horizontal line.

A Commissioner for taking Affidavits, etc.

Michael Crampton, LSO #74512G

GUARANTEE

THIS GUARANTEE is dated for reference the 4th day of January, 2021.

WHEREAS:

A. **ARNAKI LTD.**, a corporation incorporated pursuant to the laws of the British Virgin Islands, having an office at Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Reef, P.O. Box 765, Road Town, Tortola VG1110, British Virgin Islands (the "**Lender**") has advanced or will advance a loan (the "**Loan**") in the aggregate principal amount not exceeding USD\$2,000,000 to **SOLVAQUA INC.**, a corporation incorporated under the laws of the Province of Alberta with its head office at Suite 1050, 444 – 5th Avenue SW, Calgary, AB T2P 2T8 (the "**Borrower**"), under the terms of a loan agreement (the "**Loan Agreement**") and will grant or cause to be granted to the Lender a general security agreement and such other security as may be specified in the Loan Agreement or otherwise requested by the Lender as security for the Loan (the "**Lender's Security**");

B. As a condition of and as security for the Loan, the Lender requires that **CORESOURCE SOLUTIONS LLC**, a limited liability company formed under the laws of the State of Texas with its head office at Suite 1600, 1600 Broadway, Denver, CO 80202 (the "**Guarantor**") provide a continuing guarantee of all present and future indebtedness and liabilities of the Borrower to the Lender, and the observance and performance by the Borrower of all the obligations to the Lender of the Borrower under the Loan Agreement or under the Lender's Security held from time to time (collectively, the "**Guaranteed Obligations**"); and

C. The Guarantor will derive an indirect benefit from the Loan and considers that the provision of the Loan is in its best interests.

FOR CONSIDERATION of the sum of \$1.00, the receipt and sufficiency of which is hereby acknowledged, the Guarantor agrees with the Lender as follows:

1. The Guarantor unconditionally guarantees to the Lender the due payment by the Borrower to the Lender of the Loan and any other amounts due from the Borrower to the Lender and the performance of the Guaranteed Obligations, in each case, whether under the Loan Agreement, the Lender's Security or otherwise.

2. This Guarantee is a continuing guarantee and is not limited by amount, time or otherwise.

3. Without releasing, discharging, limiting or otherwise affecting in whole or in part the obligations and liabilities of the Guarantor hereunder and without the consent of or notice to the Guarantor, the Lender may:

- (a) grant time, renewals, extensions, indulgences, releases and discharges to the Borrower or any other person or persons now or hereafter liable to the Lender in respect of the Loan or the Guaranteed Obligations;
- (b) take or refrain from taking securities or collateral from the Borrower or any other person or persons or from perfecting such securities or collateral;

- (c) give up, modify, exchange, renew, release, discharge, compromise, realize, enforce or otherwise deal with or do any act or thing (with or without consideration) in respect of any and all collateral, mortgages or other security given by the Borrower or any other person or persons with respect to the Guaranteed Obligations;
- (d) accept compromises or arrangements from the Borrower;
- (e) exercise any right or remedy which the Lender may have against the Borrower or any other person or persons or with respect to any security for the Guaranteed Obligations, including judicial and non-judicial foreclosure;
- (f) apply all monies at any time received from the Borrower or any other person or persons or from securities upon such part of the Guaranteed Obligations as the Lender may see fit or change any such application in whole or in part from time to time as the Lender may see fit; or
- (g) otherwise deal with, or waive or modify its rights to deal with, the Borrower and any other person or persons and securities as the Lender may see fit;

and in no case shall the Lender be responsible for any neglect or omission with respect to any of the foregoing.

4. The Guarantor renounces all benefits of discussion and division.

5. This Guarantee will not be considered as wholly or partially satisfied by the payment or liquidation at any time or times of any sum or sums of money for the time being due or remaining unpaid to the Lender, and all dividends, compositions, proceeds of security valued and payments received by the Lender from the Borrower or from others or from estates shall be regarded for all purposes as payments in gross without any right on the part of the Guarantor to claim in reduction of the liability under this Guarantee the benefit of any such dividends, compositions, proceeds or payments or any securities held by the Lender or proceeds thereof.

6. All monies, advances, renewals and credits in fact borrowed or obtained by the Borrower from the Lender under the Loan Agreement or under any security held from time to time by the Lender for the Loan will be deemed to form part of the Guaranteed Obligations, notwithstanding any lack or limitation of status or of power, incapacity or disability of the Borrower or of the directors, partners or agents thereof, or that the Borrower may not be a legal or suitable entity, or any irregularity, defect or informality in the borrowing or obtaining of such monies, advances, renewals or credits, the whole whether known to the Lender or not; and any sum which may not be recoverable from the Guarantor as guarantor shall be recoverable from the Guarantor as sole or principal debtor in respect thereof and shall be paid to the Lender as aforesaid.

7. This Guarantee is in addition to and not in substitution for any other guarantee, by whomsoever given, at any time held by the Lender, and any present or future obligation to the Lender incurred or arising otherwise than under a guarantee of the Guarantor or of any other obligant, whether bound with or apart from the Borrower.

8. The Guarantor will be bound by any account settled between the Lender and the Borrower, and if no such account has been so settled any account stated by the Lender will be accepted by the Guarantor as *prima facie* evidence of the amount which at the date of the account so stated is due by the Borrower to the Lender or remains unpaid by the Borrower to the Lender.

9. The Guarantor will not at any time claim to be subrogated in any manner to the rights and position of the Lender and will not claim the benefit of any security at any time held by the Lender until the Lender has received payment in full of all monies, interest and other amounts due to the Lender under or relating to the Guaranteed Obligations.

10. The Lender will not be bound to exhaust its recourse against the Borrower or other parties or the Lender's Security or other security it may hold before requiring payment of the Guarantor, and the Lender may enforce the various remedies available to it and may realize upon the various securities or any part of such securities in such order as the Lender may determine.

11. No suit based upon this Guarantee shall be instituted until demand for payment has been made, and demand for payment shall be deemed to have been effectively made upon the Guarantor at its address given above, and demand for payment will be deemed to have been effectively made at the time of transmission or delivery.

12. This Guarantee shall not be discharged, limited or otherwise affected by anything done, suffered or permitted by the Lender in connection with the Borrower, the Loan, the Guaranteed Obligations or any security held by or granted to the Lender to evidence or secure payment of the Guaranteed Obligations or otherwise. Without limiting the generality of the foregoing, the obligations and liabilities of the Guarantor hereunder shall not be released, disclosed, limited or otherwise affected by:

- (a) any change to the terms of the Guaranteed Obligations, including, without limitation and to the extent applicable, any extension to the term of the Loan Agreement, any increase or decrease of the interest rate(s) set forth in the Loan Agreement and any increase or decrease in the amount of the Loan;
- (b) the insolvency or bankruptcy of the Borrower or the Guarantor;
- (c) the appointment of a receiver for the assets of the Borrower or the Guarantor;
- (d) any change in the name of the Borrower or the Guarantor or the reorganization, merger or amalgamation of the Borrower or the Guarantor;
- (e) the acquisition of the Borrower's businesses or the Guarantor's business by a person or corporation;
- (f) any change whatsoever in the objects, capital structure, constitution or constating documents of the Borrower or the Guarantor;
- (g) any defect in, omission from, failure to file or register or defective filing or registration of any instrument under which the Lender have taken any security or

collateral for payment of the Guaranteed Obligations or performance or observance of any obligation of the Borrower, the Guarantor (whether under this Guarantee or otherwise) or of any other person who is or may become liable in respect of the Guaranteed Obligations; or

- (h) any other circumstance, apart from repayment of the Loan in whole or performance of the Guaranteed Obligations in whole, which might otherwise constitute a legal or equitable defence available to, or a complete or partial discharge of, the Borrower in respect of the Guaranteed Obligations or of the Guarantor in respect of this Guarantee,

but shall, notwithstanding the happening of any such event before or after the execution of this Guarantee, continue to apply to the Guaranteed Obligations. (In this instrument the word "**Borrower**" or "**Guarantor**", as applicable, includes every entity described in paragraphs (d) and (e) above).

13. This Guarantee will be operative and binding upon the Guarantor, and possession of this instrument by the Lender or its assigns will be conclusive evidence against the Guarantor that this Guarantee was not delivered in escrow or pursuant to any agreement that it should not be effective until any conditions precedent or subsequent had been complied with.

14. The Guarantor hereby waives notice of its acceptance of this Guarantee, notice of transactions or obligations contracted or incurred by the Borrower under this Guarantee, notice of default of the Borrower and demand for payment upon the Borrower and the Guarantor.

15. This Guarantee covers all agreements between the parties hereto concerning this Guarantee, and none of the parties shall be bound by any representation or promise made by any person relative thereto which is not expressly embodied in this Guarantee, the Loan Agreement or documents contemplated by the Loan Agreement delivered by the Guarantor to the Lender concurrently herewith, securing the Guaranteed Obligations hereunder.

16. This Guarantee is governed by the laws of the Province of Alberta, and the Guarantor attorns to the non-exclusive jurisdiction of the Courts of Alberta in respect of all disputes which may arise under this Guarantee.

17. So long as any part of the Loan, the Guaranteed Obligations or any related amounts due, owing or accrued to the Lender remain unpaid or outstanding, the Guarantor assumes all responsibility for being and keeping itself informed of the financial condition of the Borrower and of all circumstances bearing upon the nature, scope and extent of the risk which the Guarantor assumes and incurs under this Guarantee.

18. The Guarantor represents and warrants to the Lender that:

- (a) the Guarantor has full power and capacity to enter into this Guarantee and to carry out the obligations contemplated in this Guarantee;
- (b) this Guarantee has been approved by all necessary corporate action on the part of the Guarantor and, when executed and delivered, will constitute a legal, valid and

binding obligation of the Guarantor, enforceable in accordance with the terms of this Guarantee;

- (c) the execution of this Guarantee will not contravene any provision of applicable law, regulation, order or permit applicable to the Guarantor, or result in a breach of or constitute a default under or require any consent under any agreement or instrument to which the Guarantor is a party or by which the Guarantor is bound; and
- (d) the Guarantor is not in default under any agreement or instrument to which it is a party which in any way materially and adversely affects its business and there are no suits or judicial proceedings or proceedings before any governmental authority, commission, board or other agency pending or to the knowledge of the Guarantor threatened against the Guarantor.

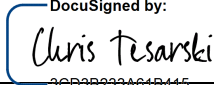
19. The Lender may assign its rights under this Guarantee with notice to the Guarantor to an assignee in accordance with the Loan Agreement.

20. The Guarantor acknowledges that there are reasonable grounds for believing that, and the directors of the Guarantor are of the opinion that, the giving of the financial assistance provided by this Guarantee is in the best interest of the Guarantor and the Guarantor is not insolvent at the time of giving this Guarantee.

21. This Guarantee enures to the benefit of the Lender and its successors and assigns and is binding on the Guarantor and its successors and assigns.

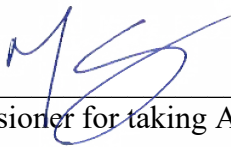
[Signature page to follow]

CORESOURCE SOLUTIONS LLC

Per:  _____
Chris Tesarski
Authorized Signatory

Signature Page to Guarantee of Enterra Feed US Corporation

This is Exhibit "H" referred to in the
Affidavit of Ariel S. Belilo affirmed before
me, this 15th day of August, 2022

A handwritten signature in blue ink, appearing to be 'MC', is written over a horizontal line.

A Commissioner for taking Affidavits, etc.

Michael Crampton, LSO #74512G

GUARANTEE**(CoResource Solutions (Canada) Inc.)**

January 4, 2021

WHEREAS CoResource Solutions (Canada) Inc. (hereinafter referred to as the “**Guarantor**”) has agreed to provide Arnaki Ltd. (the “**Lender**”) with a guarantee of the Obligations (as hereinafter defined) of solvAqua Inc. (hereinafter referred to as the “**Borrower**”);

AND WHEREAS the Guarantor has agreed that if the guarantee is not enforceable, subject to the terms hereof, the Guarantor will indemnify the Lender or be liable as primary obligor, in each case, subject to the terms hereof.

NOW THEREFORE THIS GUARANTEE WITNESSES that in consideration of the premises and the covenants and agreements herein contained, the sum of \$10.00 now paid by the Lender to the Guarantor and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Guarantor covenants with the Lender as follows:

ARTICLE 1 - GUARANTEE**1.01 Guarantee**

The Guarantor, subject to the provisions of the limitation on liability provided in Section 1.02, hereby unconditionally and irrevocably guarantees payment to the Lender of all the debts and liabilities, present or future, direct or indirect, absolute or contingent, matured or not, at any time owing by the Borrower to the Lender or remaining unpaid by the Borrower pursuant to the Loan Agreement (collectively referred to as the “**Obligations**”). “**Loan Agreement**” means the Loan Agreement dated January 4, 2021 between the Lender and the Borrower, as may be amended, supplemented, modified or supplemented from time to time. All capitalized terms used herein and not otherwise defined have the meanings ascribed to them in the Loan Agreement.

1.02 Indemnity

If any or all of the Obligations are not duly paid by the Borrower and are not recoverable under Section 1.01 for any reason whatsoever, the Guarantor will as a separate and distinct obligation, indemnify and save harmless the Lender from and against all losses resulting from the failure of the Borrower to pay such Obligations.

1.03 Primary Obligation

If any or all of the Obligations are not duly paid by the Borrower and are not recoverable under Section 1.01 or the Lender is not indemnified under Section 1.02, in each case, for any reason whatsoever, such Obligations will, as a separate and distinct obligation, be recoverable from the Guarantor as primary obligor.

1.04 Obligations Absolute

The liability of the Guarantor hereunder will be absolute and unconditional and will not be affected by:

- (i) any lack of validity or enforceability of any agreement between the Borrower and the Lender;

- (ii) any impossibility, impracticability, frustration of purpose, illegality, *force majeure* or act of government;
- (iii) the bankruptcy, winding-up, liquidation, dissolution or insolvency of either of the Borrower or any other person or the amalgamation of or any change in the status, function, control or ownership of the Borrower, the Guarantor, the Lender or any other person;
- (iv) any lack or limitation of power, incapacity or disability on the part of either of the Borrower or of the directors, officers, employees or agents thereof or any other irregularity, defect or informality on the part the Borrower in their obligations to the Lender;
- (v) any other law, regulation or other circumstance that might otherwise constitute a defence available to, or a discharge of, the Borrower in respect of any or all of the Obligations; or
- (vi) the enforcement by the Lender of any other Security.

ARTICLE 2 - DEALING WITH OBLIGOR AND OTHERS

2.01 No Releases

The liability of the Guarantor hereunder will not be released, discharged, limited or in any way affected by anything done, suffered or permitted by the Lender in connection with any duties or liabilities of the Borrower to the Lender or any security therefor including any loss of or in respect of any security received by the Lender from the Borrower or others. Without limiting the generality of the foregoing and without releasing, discharging, limiting or otherwise affecting in whole or in part the Guarantor's liability hereunder, without obtaining the consent of or giving notice to the Guarantor, the Lender may:

- (i) discontinue, reduce, increase or otherwise vary the credit of the Borrower in any manner whatsoever;
- (ii) make any change in the time, manner or place of payment under, or in any other term of, any agreement between the Borrower and the Lender or waive the failure on the part of the Borrower to carry out any of its obligations under any such agreement;
- (iii) grant time, renewals, extensions, indulgences, releases and discharges to the Borrower;
- (iv) take or abstain from taking or enforcing securities or collateral from the Borrower or from perfecting securities or collateral of the Borrower;
- (v) accept compromises from the Borrower;
- (vi) apply all money at any time received from the Borrower or from securities upon such part of the Obligations as the Lender may see fit or change any such application in whole or in part from time to time as the Lender may see fit; and

- (vii) otherwise deal with the Borrower and all other persons and securities as the Lender may see fit.

2.02 No Exhaustion of Remedies

The Lender will not be bound or obligated to exhaust its recourse against the Borrower or other persons or any securities or collateral it may hold or take any other action before being entitled to demand payment from the Guarantor hereunder.

2.03 Prima Facie Evidence

Any account settled or stated in writing by or between the Lender and the Borrower will be *prima facie* evidence that the balance or amount thereof appearing due to the Lender is so due.

2.04 No Set-off

In any claim by the Lender against the Guarantor, the Guarantor may not assert any set-off or counterclaim that either the Guarantor or the Borrower may have against the Lender.

2.05 Continuing Guarantee

The obligations of the Guarantor hereunder will constitute and be continuing obligations and will apply to and secure any ultimate balance due or remaining due to the Lender and will not be considered as wholly or partially satisfied by the payment or liquidation at any time of any sum of money for the time being due or remaining unpaid to the Lender. This Guarantee will continue to be effective even if at any time any payment of any of the Obligations is rendered unenforceable or is rescinded or must otherwise be returned by the Lender upon the occurrence of any action or event including the insolvency, bankruptcy or reorganization of the Borrower or otherwise, all as though such payment had not been made.

ARTICLE 3 - DEMAND

3.01 Demand

Upon the occurrence of an Event of Default (as defined in the Loan Agreement) that has not been either cured or waived in accordance with the provisions of the Loan Agreement, the Lender will be entitled to make demand upon the Guarantor for payment of all Obligations then due, including interest on overdue payments of principal and interest that has accrued to and including the date of such demand under the Loan Agreement (the "**Guaranteed Amount**").

3.02 Interest

In addition to the Guaranteed Amount, but without duplication of any amount of interest included therein, the Guarantor will pay interest to the Lender at the interest rate applicable to the Obligations then due, on the unpaid portion of the Guaranteed Amount payable by the Guarantor under this Guarantee, such interest to accrue from and including the date of demand by the Lender on the Guarantor. To the extent that the Lender receives payment from the Guarantor of any interest pursuant to this Section 3.02, the amount so received shall be in satisfaction of, and applied to the payment of, interest accruing on the corresponding Obligations pursuant to the Loan Agreement from and after the date of demand by the Lender on the Guarantor pursuant to this Guarantee.

ARTICLE 4 - ASSIGNMENT AND POSTPONEMENT

4.01 Assignment and Postponement

All debts and liabilities, present and future, of the Borrower to the Guarantor are hereby assigned to the Lender and postponed to the Obligations, and, upon the occurrence and during the continuance of an Event of Default, all money received by the Guarantor, directly or indirectly, after the date of such occurrence in respect thereof will be held in trust for the Lender and forthwith upon receipt will be paid over to the Lender, the whole without in any way lessening or limiting the liability of the Guarantor hereunder and this assignment and postponement is independent of the Guarantee and will remain in full force and effect until, in the case of the assignment, the liability of the Guarantor under this Guarantee has been discharged or terminated and, in the case of the postponement, until all Obligations are performed and paid in full. Notwithstanding this Section 4.01, until the occurrence of an Event of Default which is continuing, the Guarantor is entitled to receive money from the Borrower free of any obligation to the Lender.

ARTICLE 5 - GENERAL

5.01 Binding Effect of the Guarantee

This Guarantee will be binding upon the heirs, executors, administrators and successors of the Guarantor and will enure to the benefit of the Lender and its successors and assigns under the Loan Agreement.

5.02 Entire Agreement

This Guarantee constitutes the entire agreement between the Guarantor and the Lender with respect to the subject matter hereof and cancels and supersedes any prior understandings and agreements between such parties with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the parties except as expressly set forth herein. The Lender will not be bound by any representations or promises made by the Borrower to the Guarantor and possession of this Guarantee by the Lender will be conclusive evidence against the Guarantor that the Guarantee was not delivered in escrow or pursuant to any agreement that it should not be effective until any condition precedent or subsequent has been complied with and this Guarantee will be operative and binding notwithstanding the non-execution thereof by any proposed signatory.

5.03 Amendments and Waivers

No amendment to this Guarantee will be valid or binding unless set forth in writing and duly executed by the Guarantor and the Lender. No waiver of any breach of any provision of this Guarantee will be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided in the written waiver, will be limited to the specific breach waived.

5.04 Severability

If any provision of this Guarantee is determined to be invalid or unenforceable in whole or in part, such invalidity or unenforceability will attach only to such provision or part thereof and the remaining part of such provision and all other provisions hereof will continue in full force and effect.

5.05 Notices

Any demand, notice or communication to be made or given hereunder shall be in writing and may be made or given by personal delivery or by transmittal by telecopy, facsimile or other electronic means of communication addressed to the respective parties as follows:

To the Guarantor:

CoResource Solutions (Canada) Inc.
Suite 1050, 444 – 5th Avenue SW
Calgary, AB T2P 2P2
Attention: Chris Tesarski, President
Email Address: ctesarski@solvaqua.com

To the Lender:

Arnaki Ltd.
c/o TingleMerrett LLP
1250, 639 – 5th Ave. SW
Calgary, Alberta
T2P 0M9
Attention: Scott Reeves, Counsel
Email Address: sreeves@tinglemerrett.com

Fax: (403) 571-8008

or to such other address or facsimile number as any party may from time to time notify the others in accordance with this Section 5.05. Any demand, notice or communication made or given by personal delivery shall be conclusively deemed to have been given on the day of actual delivery thereof, or, if made or given by other electronic means of communication, on the first Business Day following the transmittal thereof.

5.06 Discharge

Upon payment in full of the Obligations this Guarantee shall be terminated and be of no further force and effect, and the Guarantor will automatically be discharged from any and all of its obligations hereunder.

5.07 Security

In accordance with the terms of the Loan Agreement and as a condition of funding of the advance under the Loan Agreement, the Guarantor shall enter into a general security agreement charging all present and after acquired personal property of the Guarantor and such other security as the Lender may reasonably require to secure the Obligations secured by this Guarantee.

5.08 Governing Law

This Guarantee will be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

5.09 Headings

The division of this Guarantee into Articles and Sections and the insertion of headings are for convenience of reference only and will not affect the construction or interpretation of this

Guarantee. The terms “hereof”, “hereunder” and similar expressions refer to this Guarantee and not to any particular Article, Section or other portion hereof and include any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles and Sections are to Articles and Sections of this Guarantee.

5.10 Extended Meanings

In this Guarantee words importing the singular number only include the plural and *vice versa*, words importing any gender include all genders and words importing persons include individuals, partnerships, associations, trusts, unincorporated organizations and corporations.

5.11 Conflict

To the extent that there is any conflict or inconsistency between this Guarantee and the Loan Agreement, the provisions of the Loan Agreement shall prevail. Notwithstanding the foregoing, in the event that this Guarantee contains remedies which are in addition to the remedies set forth in the Loan Agreement, the existence of such remedies shall not constitute a conflict with the terms of this Guarantee.

5.12 Executed Copy

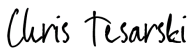
The Guarantor acknowledges receipt of a fully executed copy of this Guarantee and of the Loan Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF the Guarantor has duly executed and delivered this Guarantee as of the date first written above.

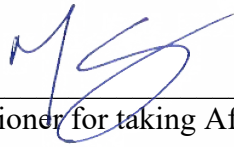
CORESOURCE SOLUTIONS (CANADA) INC.

By:
Name:
Title:

DocuSigned by:

3CD3B233A61B415...

I have the authority to bind the Corporation.

This is Exhibit "I" referred to in the
Affidavit of Ariel S. Belilo affirmed before
me, this 15th day of August, 2022

A handwritten signature in blue ink, appearing to read 'MS', is written over a horizontal line.

A Commissioner for taking Affidavits, etc.

Michael Crampton, LSO #74512G

GUARANTEE

THIS GUARANTEE is dated for reference the 1st day of February, 2021.

WHEREAS:

A. **ARNAKI LTD.**, a corporation incorporated pursuant to the laws of the British Virgin Islands, having an office at Ellen Skelton Building, 3076 Sir Francis Drake Highway, Road Reef, P.O. Box 765, Road Town, Tortola VG1110, British Virgin Islands (the "**Lender**") has advanced or will advance a loan (the "**Loan**") in the aggregate principal amount not exceeding USD\$2,000,000 to **SOLVAQUA INC.**, a corporation incorporated under the laws of the Province of Alberta with its registered office at Suite 1000, 250 - 2 St SW, Calgary, AB T2P 0C1 (the "**Borrower**"), under the terms of a loan agreement (the "**Loan Agreement**") and will grant or cause to be granted to the Lender a general security agreement and such other security as may be specified in the Loan Agreement or otherwise requested by the Lender as security for the Loan (the "**Lender's Security**");

B. As a condition of and as security for the Loan, the Lender requires that **CORESOURCE SOLUTIONS LLC**, a limited liability company formed under the laws of the State of Texas with its head office at Suite 1600, 1600 Broadway, Denver, CO 80202 (the "**Guarantor**") provide a continuing guarantee of all present and future indebtedness and liabilities of the Borrower to the Lender, and the observance and performance by the Borrower of all the obligations to the Lender of the Borrower under the Loan Agreement or under the Lender's Security held from time to time (collectively, the "**Guaranteed Obligations**"); and

C. The Guarantor will derive an indirect benefit from the Loan and considers that the provision of the Loan is in its best interests.

FOR CONSIDERATION of the sum of \$1.00, the receipt and sufficiency of which is hereby acknowledged, the Guarantor agrees with the Lender as follows:

1. The Guarantor unconditionally guarantees to the Lender the due payment by the Borrower to the Lender of the Loan and any other amounts due from the Borrower to the Lender and the performance of the Guaranteed Obligations, in each case, whether under the Loan Agreement, the Lender's Security or otherwise.

2. This Guarantee is a continuing guarantee and is not limited by amount, time or otherwise.

3. Without releasing, discharging, limiting or otherwise affecting in whole or in part the obligations and liabilities of the Guarantor hereunder and without the consent of or notice to the Guarantor, the Lender may:

- (a) grant time, renewals, extensions, indulgences, releases and discharges to the Borrower or any other person or persons now or hereafter liable to the Lender in respect of the Loan or the Guaranteed Obligations;
- (b) take or refrain from taking securities or collateral from the Borrower or any other person or persons or from perfecting such securities or collateral;

- (c) give up, modify, exchange, renew, release, discharge, compromise, realize, enforce or otherwise deal with or do any act or thing (with or without consideration) in respect of any and all collateral, mortgages or other security given by the Borrower or any other person or persons with respect to the Guaranteed Obligations;
- (d) accept compromises or arrangements from the Borrower;
- (e) exercise any right or remedy which the Lender may have against the Borrower or any other person or persons or with respect to any security for the Guaranteed Obligations, including judicial and non-judicial foreclosure;
- (f) apply all monies at any time received from the Borrower or any other person or persons or from securities upon such part of the Guaranteed Obligations as the Lender may see fit or change any such application in whole or in part from time to time as the Lender may see fit; or
- (g) otherwise deal with, or waive or modify its rights to deal with, the Borrower and any other person or persons and securities as the Lender may see fit;

and in no case shall the Lender be responsible for any neglect or omission with respect to any of the foregoing.

4. The Guarantor renounces all benefits of discussion and division.

5. This Guarantee will not be considered as wholly or partially satisfied by the payment or liquidation at any time or times of any sum or sums of money for the time being due or remaining unpaid to the Lender, and all dividends, compositions, proceeds of security valued and payments received by the Lender from the Borrower or from others or from estates shall be regarded for all purposes as payments in gross without any right on the part of the Guarantor to claim in reduction of the liability under this Guarantee the benefit of any such dividends, compositions, proceeds or payments or any securities held by the Lender or proceeds thereof.

6. All monies, advances, renewals and credits in fact borrowed or obtained by the Borrower from the Lender under the Loan Agreement or under any security held from time to time by the Lender for the Loan will be deemed to form part of the Guaranteed Obligations, notwithstanding any lack or limitation of status or of power, incapacity or disability of the Borrower or of the directors, partners or agents thereof, or that the Borrower may not be a legal or suitable entity, or any irregularity, defect or informality in the borrowing or obtaining of such monies, advances, renewals or credits, the whole whether known to the Lender or not; and any sum which may not be recoverable from the Guarantor as guarantor shall be recoverable from the Guarantor as sole or principal debtor in respect thereof and shall be paid to the Lender as aforesaid.

7. This Guarantee is in addition to and not in substitution for any other guarantee, by whomsoever given, at any time held by the Lender, and any present or future obligation to the Lender incurred or arising otherwise than under a guarantee of the Guarantor or of any other obligant, whether bound with or apart from the Borrower.

8. The Guarantor will be bound by any account settled between the Lender and the Borrower, and if no such account has been so settled any account stated by the Lender will be accepted by the Guarantor as *prima facie* evidence of the amount which at the date of the account so stated is due by the Borrower to the Lender or remains unpaid by the Borrower to the Lender.

9. The Guarantor will not at any time claim to be subrogated in any manner to the rights and position of the Lender and will not claim the benefit of any security at any time held by the Lender until the Lender has received payment in full of all monies, interest and other amounts due to the Lender under or relating to the Guaranteed Obligations.

10. The Lender will not be bound to exhaust its recourse against the Borrower or other parties or the Lender's Security or other security it may hold before requiring payment of the Guarantor, and the Lender may enforce the various remedies available to it and may realize upon the various securities or any part of such securities in such order as the Lender may determine.

11. No suit based upon this Guarantee shall be instituted until demand for payment has been made, and demand for payment shall be deemed to have been effectively made upon the Guarantor at its address given above, and demand for payment will be deemed to have been effectively made at the time of transmission or delivery.

12. This Guarantee shall not be discharged, limited or otherwise affected by anything done, suffered or permitted by the Lender in connection with the Borrower, the Loan, the Guaranteed Obligations or any security held by or granted to the Lender to evidence or secure payment of the Guaranteed Obligations or otherwise. Without limiting the generality of the foregoing, the obligations and liabilities of the Guarantor hereunder shall not be released, disclosed, limited or otherwise affected by:

- (a) any change to the terms of the Guaranteed Obligations, including, without limitation and to the extent applicable, any extension to the term of the Loan Agreement, any increase or decrease of the interest rate(s) set forth in the Loan Agreement and any increase or decrease in the amount of the Loan;
- (b) the insolvency or bankruptcy of the Borrower or the Guarantor;
- (c) the appointment of a receiver for the assets of the Borrower or the Guarantor;
- (d) any change in the name of the Borrower or the Guarantor or the reorganization, merger or amalgamation of the Borrower or the Guarantor;
- (e) the acquisition of the Borrower's businesses or the Guarantor's business by a person or corporation;
- (f) any change whatsoever in the objects, capital structure, constitution or constating documents of the Borrower or the Guarantor;
- (g) any defect in, omission from, failure to file or register or defective filing or registration of any instrument under which the Lender have taken any security or

collateral for payment of the Guaranteed Obligations or performance or observance of any obligation of the Borrower, the Guarantor (whether under this Guarantee or otherwise) or of any other person who is or may become liable in respect of the Guaranteed Obligations; or

- (h) any other circumstance, apart from repayment of the Loan in whole or performance of the Guaranteed Obligations in whole, which might otherwise constitute a legal or equitable defence available to, or a complete or partial discharge of, the Borrower in respect of the Guaranteed Obligations or of the Guarantor in respect of this Guarantee,

but shall, notwithstanding the happening of any such event before or after the execution of this Guarantee, continue to apply to the Guaranteed Obligations. (In this instrument the word "**Borrower**" or "**Guarantor**", as applicable, includes every entity described in paragraphs (d) and (e) above).

13. This Guarantee will be operative and binding upon the Guarantor, and possession of this instrument by the Lender or its assigns will be conclusive evidence against the Guarantor that this Guarantee was not delivered in escrow or pursuant to any agreement that it should not be effective until any conditions precedent or subsequent had been complied with.

14. The Guarantor hereby waives notice of its acceptance of this Guarantee, notice of transactions or obligations contracted or incurred by the Borrower under this Guarantee, notice of default of the Borrower and demand for payment upon the Borrower and the Guarantor.

15. This Guarantee covers all agreements between the parties hereto concerning this Guarantee, and none of the parties shall be bound by any representation or promise made by any person relative thereto which is not expressly embodied in this Guarantee, the Loan Agreement or documents contemplated by the Loan Agreement delivered by the Guarantor to the Lender concurrently herewith, securing the Guaranteed Obligations hereunder.

16. This Guarantee is governed by the laws of the Province of Alberta, and the Guarantor attorns to the non-exclusive jurisdiction of the Courts of Alberta in respect of all disputes which may arise under this Guarantee.

17. So long as any part of the Loan, the Guaranteed Obligations or any related amounts due, owing or accrued to the Lender remain unpaid or outstanding, the Guarantor assumes all responsibility for being and keeping itself informed of the financial condition of the Borrower and of all circumstances bearing upon the nature, scope and extent of the risk which the Guarantor assumes and incurs under this Guarantee.

18. The Guarantor represents and warrants to the Lender that:

- (a) the Guarantor has full power and capacity to enter into this Guarantee and to carry out the obligations contemplated in this Guarantee;
- (b) this Guarantee has been approved by all necessary corporate action on the part of the Guarantor and, when executed and delivered, will constitute a legal, valid and

binding obligation of the Guarantor, enforceable in accordance with the terms of this Guarantee;

- (c) the execution of this Guarantee will not contravene any provision of applicable law, regulation, order or permit applicable to the Guarantor, or result in a breach of or constitute a default under or require any consent under any agreement or instrument to which the Guarantor is a party or by which the Guarantor is bound; and
- (d) the Guarantor is not in default under any agreement or instrument to which it is a party which in any way materially and adversely affects its business and there are no suits or judicial proceedings or proceedings before any governmental authority, commission, board or other agency pending or to the knowledge of the Guarantor threatened against the Guarantor.

19. The Lender may assign its rights under this Guarantee with notice to the Guarantor to an assignee in accordance with the Loan Agreement.

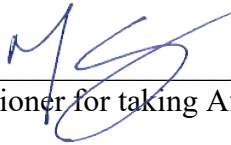
20. The Guarantor acknowledges that there are reasonable grounds for believing that, and the directors of the Guarantor are of the opinion that, the giving of the financial assistance provided by this Guarantee is in the best interest of the Guarantor and the Guarantor is not insolvent at the time of giving this Guarantee.

21. This Guarantee enures to the benefit of the Lender and its successors and assigns and is binding on the Guarantor and its successors and assigns.

CORESOURCE SOLUTIONS LLC

Per: 
Chris Tesarski
Authorized Signatory

This is Exhibit "J" referred to in the
Affidavit of Ariel S. Belilo affirmed before
me, this 15th day of August, 2022

A handwritten signature in blue ink, appearing to be 'MC', is written over a horizontal line.

A Commissioner for taking Affidavits, etc.

Michael Crampton, LSO #74512G

GUARANTEE**(CoResource Solutions (Canada) Inc.)**

February 1, 2021

WHEREAS CoResource Solutions (Canada) Inc. (hereinafter referred to as the "**Guarantor**") has agreed to provide Arnaki Ltd. (the "**Lender**") with a guarantee of the Obligations (as hereinafter defined) of solvAqua Inc. (hereinafter referred to as the "**Borrower**");

AND WHEREAS the Guarantor has agreed that if the guarantee is not enforceable, subject to the terms hereof, the Guarantor will indemnify the Lender or be liable as primary obligor, in each case, subject to the terms hereof.

NOW THEREFORE THIS GUARANTEE WITNESSES that in consideration of the premises and the covenants and agreements herein contained, the sum of \$10.00 now paid by the Lender to the Guarantor and other good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the Guarantor covenants with the Lender as follows:

ARTICLE 1 - GUARANTEE**1.01 Guarantee**

The Guarantor, subject to the provisions of the limitation on liability provided in Section 1.02, hereby unconditionally and irrevocably guarantees payment to the Lender of all the debts and liabilities, present or future, direct or indirect, absolute or contingent, matured or not, at any time owing by the Borrower to the Lender or remaining unpaid by the Borrower pursuant to the Loan Agreement (collectively referred to as the "**Obligations**"). "**Loan Agreement**" means the Loan Agreement dated February 1, 2021 between the Lender and the Borrower, as may be amended, supplemented, modified or supplemented from time to time. All capitalized terms used herein and not otherwise defined have the meanings ascribed to them in the Loan Agreement.

1.02 Indemnity

If any or all of the Obligations are not duly paid by the Borrower and are not recoverable under Section 1.01 for any reason whatsoever, the Guarantor will as a separate and distinct obligation, indemnify and save harmless the Lender from and against all losses resulting from the failure of the Borrower to pay such Obligations.

1.03 Primary Obligation

If any or all of the Obligations are not duly paid by the Borrower and are not recoverable under Section 1.01 or the Lender is not indemnified under Section 1.02, in each case, for any reason whatsoever, such Obligations will, as a separate and distinct obligation, be recoverable from the Guarantor as primary obligor.

1.04 Obligations Absolute

The liability of the Guarantor hereunder will be absolute and unconditional and will not be affected by:

- (i) any lack of validity or enforceability of any agreement between the Borrower and the Lender;

- (ii) any impossibility, impracticability, frustration of purpose, illegality, *force majeure* or act of government;
- (iii) the bankruptcy, winding-up, liquidation, dissolution or insolvency of either of the Borrower or any other person or the amalgamation of or any change in the status, function, control or ownership of the Borrower, the Guarantor, the Lender or any other person;
- (iv) any lack or limitation of power, incapacity or disability on the part of either of the Borrower or of the directors, officers, employees or agents thereof or any other irregularity, defect or informality on the part the Borrower in their obligations to the Lender;
- (v) any other law, regulation or other circumstance that might otherwise constitute a defence available to, or a discharge of, the Borrower in respect of any or all of the Obligations; or
- (vi) the enforcement by the Lender of any other Security.

ARTICLE 2 - DEALING WITH OBLIGOR AND OTHERS

2.01 No Releases

The liability of the Guarantor hereunder will not be released, discharged, limited or in any way affected by anything done, suffered or permitted by the Lender in connection with any duties or liabilities of the Borrower to the Lender or any security therefor including any loss of or in respect of any security received by the Lender from the Borrower or others. Without limiting the generality of the foregoing and without releasing, discharging, limiting or otherwise affecting in whole or in part the Guarantor's liability hereunder, without obtaining the consent of or giving notice to the Guarantor, the Lender may:

- (i) discontinue, reduce, increase or otherwise vary the credit of the Borrower in any manner whatsoever;
- (ii) make any change in the time, manner or place of payment under, or in any other term of, any agreement between the Borrower and the Lender or waive the failure on the part of the Borrower to carry out any of its obligations under any such agreement;
- (iii) grant time, renewals, extensions, indulgences, releases and discharges to the Borrower;
- (iv) take or abstain from taking or enforcing securities or collateral from the Borrower or from perfecting securities or collateral of the Borrower;
- (v) accept compromises from the Borrower;
- (vi) apply all money at any time received from the Borrower or from securities upon such part of the Obligations as the Lender may see fit or change any such application in whole or in part from time to time as the Lender may see fit; and

- (vii) otherwise deal with the Borrower and all other persons and securities as the Lender may see fit.

2.02 No Exhaustion of Remedies

The Lender will not be bound or obligated to exhaust its recourse against the Borrower or other persons or any securities or collateral it may hold or take any other action before being entitled to demand payment from the Guarantor hereunder.

2.03 Prima Facie Evidence

Any account settled or stated in writing by or between the Lender and the Borrower will be *prima facie* evidence that the balance or amount thereof appearing due to the Lender is so due.

2.04 No Set-off

In any claim by the Lender against the Guarantor, the Guarantor may not assert any set-off or counterclaim that either the Guarantor or the Borrower may have against the Lender.

2.05 Continuing Guarantee

The obligations of the Guarantor hereunder will constitute and be continuing obligations and will apply to and secure any ultimate balance due or remaining due to the Lender and will not be considered as wholly or partially satisfied by the payment or liquidation at any time of any sum of money for the time being due or remaining unpaid to the Lender. This Guarantee will continue to be effective even if at any time any payment of any of the Obligations is rendered unenforceable or is rescinded or must otherwise be returned by the Lender upon the occurrence of any action or event including the insolvency, bankruptcy or reorganization of the Borrower or otherwise, all as though such payment had not been made.

ARTICLE 3 - DEMAND

3.01 Demand

Upon the occurrence of an Event of Default (as defined in the Loan Agreement) that has not been either cured or waived in accordance with the provisions of the Loan Agreement, the Lender will be entitled to make demand upon the Guarantor for payment of all Obligations then due, including interest on overdue payments of principal and interest that has accrued to and including the date of such demand under the Loan Agreement (the "**Guaranteed Amount**").

3.02 Interest

In addition to the Guaranteed Amount, but without duplication of any amount of interest included therein, the Guarantor will pay interest to the Lender at the interest rate applicable to the Obligations then due, on the unpaid portion of the Guaranteed Amount payable by the Guarantor under this Guarantee, such interest to accrue from and including the date of demand by the Lender on the Guarantor. To the extent that the Lender receives payment from the Guarantor of any interest pursuant to this Section 3.02, the amount so received shall be in satisfaction of, and applied to the payment of, interest accruing on the corresponding Obligations pursuant to the Loan Agreement from and after the date of demand by the Lender on the Guarantor pursuant to this Guarantee.

ARTICLE 4 - ASSIGNMENT AND POSTPONEMENT

4.01 Assignment and Postponement

All debts and liabilities, present and future, of the Borrower to the Guarantor are hereby assigned to the Lender and postponed to the Obligations, and, upon the occurrence and during the continuance of an Event of Default, all money received by the Guarantor, directly or indirectly, after the date of such occurrence in respect thereof will be held in trust for the Lender and forthwith upon receipt will be paid over to the Lender, the whole without in any way lessening or limiting the liability of the Guarantor hereunder and this assignment and postponement is independent of the Guarantee and will remain in full force and effect until, in the case of the assignment, the liability of the Guarantor under this Guarantee has been discharged or terminated and, in the case of the postponement, until all Obligations are performed and paid in full. Notwithstanding this Section 4.01, until the occurrence of an Event of Default which is continuing, the Guarantor is entitled to receive money from the Borrower free of any obligation to the Lender.

ARTICLE 5 - GENERAL

5.01 Binding Effect of the Guarantee

This Guarantee will be binding upon the heirs, executors, administrators and successors of the Guarantor and will enure to the benefit of the Lender and its successors and assigns under the Loan Agreement.

5.02 Entire Agreement

This Guarantee constitutes the entire agreement between the Guarantor and the Lender with respect to the subject matter hereof and cancels and supersedes any prior understandings and agreements between such parties with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the parties except as expressly set forth herein. The Lender will not be bound by any representations or promises made by the Borrower to the Guarantor and possession of this Guarantee by the Lender will be conclusive evidence against the Guarantor that the Guarantee was not delivered in escrow or pursuant to any agreement that it should not be effective until any condition precedent or subsequent has been complied with and this Guarantee will be operative and binding notwithstanding the non-execution thereof by any proposed signatory.

5.03 Amendments and Waivers

No amendment to this Guarantee will be valid or binding unless set forth in writing and duly executed by the Guarantor and the Lender. No waiver of any breach of any provision of this Guarantee will be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided in the written waiver, will be limited to the specific breach waived.

5.04 Severability

If any provision of this Guarantee is determined to be invalid or unenforceable in whole or in part, such invalidity or unenforceability will attach only to such provision or part thereof and the remaining part of such provision and all other provisions hereof will continue in full force and effect.

5.05 Notices

Any demand, notice or communication to be made or given hereunder shall be in writing and may be made or given by personal delivery or by transmittal by telecopy, facsimile or other electronic means of communication addressed to the respective parties as follows:

To the Guarantor:

CoResource Solutions (Canada) Inc.
c/o DLA Piper Canada
Suite 1000, 250 - 2 St SW
Calgary, AB T2P 0C1
Attention: Chris Tesarski, President
Email Address: ctesarski@solvaqua.com

To the Lender:

Arnaki Ltd.
c/o TingleMerrett LLP
1250, 639 – 5th Ave. SW
Calgary, Alberta
T2P 0M9
Attention: Scott Reeves, Counsel
Email Address: sreeves@tinglemerrett.com

Fax: (403) 571-8008

or to such other address or facsimile number as any party may from time to time notify the others in accordance with this Section 5.05. Any demand, notice or communication made or given by personal delivery shall be conclusively deemed to have been given on the day of actual delivery thereof, or, if made or given by other electronic means of communication, on the first Business Day following the transmittal thereof.

5.06 Discharge

Upon payment in full of the Obligations this Guarantee shall be terminated and be of no further force and effect, and the Guarantor will automatically be discharged from any and all of its obligations hereunder.

5.07 Security

In accordance with the terms of the Loan Agreement and as a condition of funding of the advance under the Loan Agreement, the Guarantor shall enter into a general security agreement charging all present and after acquired personal property of the Guarantor and such other security as the Lender may reasonably require to secure the Obligations secured by this Guarantee.

5.08 Governing Law

This Guarantee will be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

5.09 Headings

The division of this Guarantee into Articles and Sections and the insertion of headings are for convenience of reference only and will not affect the construction or interpretation of this Guarantee. The terms “hereof”, “hereunder” and similar expressions refer to this Guarantee and not to any particular Article, Section or other portion hereof and include any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, references herein to Articles and Sections are to Articles and Sections of this Guarantee.

5.10 Extended Meanings

In this Guarantee words importing the singular number only include the plural and *vice versa*, words importing any gender include all genders and words importing persons include individuals, partnerships, associations, trusts, unincorporated organizations and corporations.

5.11 Conflict

To the extent that there is any conflict or inconsistency between this Guarantee and the Loan Agreement, the provisions of the Loan Agreement shall prevail. Notwithstanding the foregoing, in the event that this Guarantee contains remedies which are in addition to the remedies set forth in the Loan Agreement, the existence of such remedies shall not constitute a conflict with the terms of this Guarantee.

5.12 Executed Copy

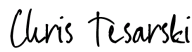
The Guarantor acknowledges receipt of a fully executed copy of this Guarantee and of the Loan Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF the Guarantor has duly executed and delivered this Guarantee as of the date first written above.

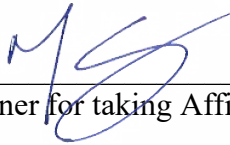
CORESOURCE SOLUTIONS (CANADA) INC.

By:
Name:
Title:

DocuSigned by:

3CD3B233A61B415...

I have the authority to bind the Corporation.

This is Exhibit "K" referred to in the
Affidavit of Ariel S. Belilo affirmed before
me, this 15th day of August, 2022

A handwritten signature in blue ink, appearing to be 'MS', is written over a horizontal line.

A Commissioner for taking Affidavits, etc.

Michael Crampton, LSO #74512G

GENERAL SECURITY AGREEMENT

THIS AGREEMENT dated for reference the 31st day of August, 2020, is made

BETWEEN:

ARNAKI LTD., a corporation incorporated under the laws of the British Virgin Islands (hereinafter referred to as the “**Lender**”)

AND:

SOLVAQUA INC., a corporation incorporated under the laws of the Province of Alberta with its head office at Suite 1050, 444 – 5th Avenue SW, Calgary, Alberta, Canada (hereinafter referred to as the “**Borrower**”)

WHEREAS the Lender has agreed to loan funds to the Borrower pursuant to the terms and conditions of the Loan Agreement (as hereinafter defined) and the Borrower has agreed to grant to the Lender a general security agreement to secure due payment of the loan made by the Lender and any other indebtedness and obligations of the Borrower to the Lender;

THEREFORE, for value received, the Borrower covenants and agrees with the Lender as follows:

1. INTERPRETATION

1.1 Agreement Definitions

In this Agreement, unless specifically defined herein, all terms used herein shall have the meanings specified in the Loan Agreement:

- (a) “**Account Debtor**” has the meaning assigned in Section 2.4;
- (b) “**Accounts**” has the meaning assigned in Subsection 2.1(a)(i);
- (c) “**BCA**” means the *Business Corporations Act* (Alberta) as amended from time to time;
- (d) “**Change of Control**” has the meaning specified in the Loan Agreement;
- (e) “**Collateral**” means the property described in Section 2.1;
- (f) “**Equipment**” has the meaning assigned in Subsection 2.1(a)(ii);
- (g) “**Event of Default**” means an event described in Section 6.1;
- (h) “**Inventory**” has the meaning assigned in Subsection 2.1(a)(iii);
- (i) “**Lender**” means Arnaki Ltd. and its successors and assigns;
- (j) “**Loan Agreement**” means the loan agreement between the Lender, the Borrower and any other signatories party thereto dated concurrently herewith, as may be amended, amended or restated, or supplemented from time to time;

- (k) “**Loan Documents**” has the meaning specified in the Loan Agreement;
- (l) “**Obligations**” has the meaning assigned in Section 3;
- (m) “**PPSA**” means the *Personal Property Security Act* (Alberta) and all regulations thereto, as amended from time to time;
- (n) “**Permitted Liens**” has the meaning specified in the Loan Agreement;
- (o) “**Person**” has the meaning specified in the Loan Agreement;
- (p) “**Receiver**” means a receiver or receiver and manager appointed under Section 6.8;
- (q) “**Securities**” has the meaning ascribed thereto in Subsection 2.1(d);
- (r) “**Security**” has the meaning specified in the Loan Agreement; and
- (s) “**Subsidiaries**” and “**Subsidiary**” has the meaning specified in the Loan Agreement.

1.2 PPSA Definitions

Unless a different meaning is assigned in this Agreement, the following terms have the meanings assigned in the PPSA: accessions, accounts, chattel paper, consumer goods, documents of title, equipment, goods, instruments, intangibles, inventory, investment property, licences, money, proceeds and security.

1.3 Governing Law

This Agreement is governed by the laws of the Province of Alberta and the parties attorn to the non-exclusive jurisdiction of the courts of Alberta for the resolution of all disputes under this Agreement.

1.4 Severability

If any one or more of the provisions contained in this Agreement is found to be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein will not in any way be affected or impaired thereby.

1.5 Parties In Interest

This Agreement enures to the benefit of and is binding on the parties to this Agreement and their respective successors and permitted assigns.

1.6 Headings and Marginal References

The division of this Agreement into sections, subsections, paragraphs and subparagraphs and the insertion of headings is for convenience of reference only and does not affect the construction or interpretation of this Agreement.

1.7 Currency

All dollar amounts in this Agreement are stated in lawful currency of Canada or as otherwise stated pursuant to the terms of the Loan Agreement.

1.8 Accounting Principles

Unless otherwise specified in this Agreement, all accounting terminology and calculations shall be made in accordance with Canadian generally accepted accounting principles, consistently applied.

2. SECURITY INTEREST

2.1 Security Interest

As security for the payment and performance of the Obligations of the Borrower, the Borrower:

- (a) mortgages, charges, assigns and transfers to the Lender, and grants to the Lender a continuing security interest in, and the Lender takes the security interest in, all of the Borrower's present and after acquired personal property and all proceeds thereof (except the property of the Borrower described in Section 2.2) of every nature and kind and wherever situate, including, without limitation:
 - (i) all debts, accounts, claims, monies and choses in action which now are, or which may at any time hereafter be due or owing to the Borrower or in which the Borrower acquires rights, and all books, records, documents, papers and electronically recorded data recording, evidencing, securing or otherwise relating to such debts, accounts, claims, monies and choses in action or any part or parts thereof (collectively, the “**Accounts**”);
 - (ii) all present and future equipment now or hereafter owned by the Borrower or in which the Borrower acquires rights, including all machinery, electronic equipment, fixtures, plants, tools, furniture, vehicles of any kind or description, all spare parts, accessions or accessories located at or installed in or affixed or attached to any of the foregoing, and all drawings, specifications, plans and manuals relating thereto and any other goods that are not Inventory (collectively, the “**Equipment**”);
 - (iii) all present and future inventory of whatever kind now or hereafter owned by the Borrower or in which the Borrower acquires rights, including all raw materials, materials used or consumed in the business or profession of the Borrower, goods, work in progress, finished goods, returned goods, repossessed goods, goods used for packing, all packaging materials, supplies and containers, materials used in the business of the Borrower, whether or not intended for sale and goods acquired or held for sale, lease or resale or furnished or to be furnished under contracts of rental or service (collectively, the “**Inventory**”);
 - (iv) all chattel paper, documents of title, instruments, securities, investment property and money now or hereafter owned by the Borrower or in which the Borrower acquires rights;
 - (v) all intangible property of the Borrower (save and except for Accounts) now or hereafter owned by the Borrower, including, without limitation, all contractual rights, licences, goodwill, patents, trademarks, tradenames, copyrights, other industrial designs and other industrial or intellectual property and undertaking of

the Borrower and all other choses in action of the Borrower of every kind which now are, or which may at any time hereafter be, due or owing to or owned by the Borrower or in which the Borrower acquires rights and all other intangible property of the Borrower which is not Accounts, goods, chattel paper, documents of title, instruments, money, investment property or securities; and

- (vi) all the property of the Borrower described in Schedule "1", if any.
- (b) charges as and by way of a floating charge to and in favour of the Lender, and grants to the Lender a security interest in and to:
- (i) all of the Borrower's right, title and interest in and to all its presently owned or held and after acquired or held real, immovable and leasehold property and all interests therein, and all easements, rights-of-way, privileges, benefits, licences, improvements and rights whether connected therewith or appurtenant thereto or separately owned or held, including all structures, plant and other fixtures; and
 - (ii) all property, assets and undertakings of the Borrower, both present and future, of whatsoever nature or kind and wheresoever situate, and all proceeds thereof, other than such of the property, assets and undertakings of the Borrower as are otherwise validly and effectively subject to the charges and security interests in favour of the Lender created pursuant to Subsection 2.1(a) or (c) hereof or are excluded pursuant to Section 2.2 hereof;
- (c) mortgages and charges as and by way of a fixed and specific charge to and in favour of the Lender, and assigns and transfers to the Lender and grants to the Lender, by way of mortgage, charge, assignment and transfer, a security interest in all of the right, title and interest, both present and future of the Borrower, in and to all of its presently owned or held and after acquired or held property which:
- (i) is or hereafter becomes a fixture; or
 - (ii) constitutes a licence, quota, permit or other similar right or benefit or crops; and
- (d) pledges and hypothecates to the Lender and grants to the Lender a security interest in: all of the investment property owned by the Borrower from time to time in the capital of each of the Subsidiaries; all dividends or distributions declared or made at any time in respect of any of the investment property owned by the Borrower in the capital of any Subsidiary; all options, warrants or rights issued to or acquired at any time by the Borrower and all proceeds from the above described property; (collectively the "**Securities**"), as general and continuing collateral security for the payment, satisfaction or performance of the Obligations. In accordance with the pledge and assignment of the Securities hereunder, upon request from the Lender, the Borrower will deliver or cause to be delivered contemporaneously with the execution and delivery of this Agreement, certificates representing the Securities, attached to powers of attorney and forms of transfer, duly executed in blank. The Borrower hereby appoints the Lender as an irrevocable attorney of the Borrower with full power of substitution from time to time to endorse and/or transfer any of the Securities and to exercise all rights and powers of the Borrower in respect of the Securities and the Lender and its nominees are hereby empowered to exercise all rights and powers and to perform all acts of ownership in respect of the Securities to the same extent as the Borrower might do; provided, however,

that such appointment will only be effective upon the occurrence of an Event of Default and so long as such Event of Default is subsisting. This appointment is coupled with an interest and will not be revoked by the insolvency, bankruptcy, reorganization, arrangement, composition, dissolution, liquidation, winding-up or similar proceeding involving or affecting the Borrower or for any other reason.

Until the occurrence of an Event of Default, the Borrower will be entitled to exercise the voting rights under the Securities and, for that purpose, the Lender will execute and deliver to the Borrower all necessary proxies and such other documentation as may reasonably be required. Upon the occurrence of an Event of Default which is continuing, whether or not the Securities have been registered in the name of the Lender or its nominee, the Lender or its nominee will have the right to exercise all voting rights with respect to the Securities and will have all other corporate rights and all conversion, exchange, subscription or other rights, privileges, or options pertaining thereto as if it were the absolute owner thereof including, without limitation, the right to exchange any or all of the Securities upon the merger, consolidation, reorganization, recapitalization or other readjustment of the Subsidiaries, or upon the exercise by the defaulting Borrower of any right, privilege or option pertaining to any of the Securities, and, in connection therewith, to deliver any of the Securities to any depository, transfer agent, registrar or other designated agency upon such terms and conditions as it may determine, all without liability except to account for property actually received by it; but neither the Lender nor its nominee will have any duty to exercise any of the aforesaid rights, privileges or options and will not be responsible for any failure to do so or delay in so doing. Any cash dividends or distributions in respect of the Securities that are made payable and received by the Borrower at any time will be received in trust for the Lender and paid forthwith to the Lender to be applied in payment or satisfaction of the Obligations in such order as the Lender may deem fit and any excess so received after the payment and satisfaction in full of the obligations shall be paid over to the Borrower.

The property of the Borrower described in Subsections (a), (b) (c) and (d) above is collectively referred to in this Agreement as “**Collateral**”.

2.2 Exclusions

The security interests granted herein do not apply or extend to:

- (a) the last day of any term created by any lease, oral or written, or agreement therefor now held or later acquired by the Borrower but the Borrower will stand possessed of the reversion thereby remaining in the Borrower of any leasehold premises in trust for the Lender to assign and dispose of as the Lender or any purchaser of such leasehold premises directs;
- (b) if any lease or other agreement contains a provision which provides in effect that such lease or agreement may not be assigned, subleased, charged or encumbered without the leave, licence, consent or approval of the lessor, the Borrower shall immediately advise the Lender in writing and shall take all steps necessary to obtain such approval or consent, and the application of the security interest created hereby to any such lease or agreement is conditional upon such leave, licence, consent or approval having been obtained and the security interest created hereby will attach to such lease or agreement as soon as such leave, licence, consent or approval is obtained; or

- (c) any consumer goods of the Borrower.

2.3 Attachment

The Borrower acknowledges conclusively that the Borrower and the Lender intend the charges and security interests on the Collateral to attach immediately upon the execution of this Agreement, and in the case of Collateral in which the Borrower subsequently acquires rights contemporaneously with the Borrower acquiring rights therein. The Borrower acknowledges conclusively that value has been given.

2.4 Notification

After the occurrence of an Event of Default which is continuing, the Lender may notify any debtor of the Borrower on an intangible, chattel paper or Account, or any obligor on an instrument (an “**Account Debtor**”) to make all payments on Collateral to the Lender and the Borrower acknowledges that the proceeds of all sales, or any payments on or other proceeds of the Collateral, including, but not limited to, payments on, or other proceeds of, the Collateral received by the Borrower from any Account Debtor, whether before or after notification to such Account Debtor and whether before or after default under this Agreement shall, subject to the rights of holders of prior ranking interests in such proceeds, be received and held by the Borrower in trust for the Lender and shall be turned over to the Lender upon request and the Borrower shall not commingle any proceeds of or payments on the Collateral, with any of the Borrower's funds or property, but will hold them separate and apart.

2.5 Purchase Money Security Interests

The security interests created hereby shall constitute purchase money security interests to the extent that any of the Obligations are monies advanced by the Lender to the Borrower for the purpose of enabling the Borrower to purchase or acquire rights in any of the Collateral and were so used by the Borrower and a certificate of an officer of the Lender as to the extent that the Obligations are monies so advanced and used shall be *prima facie* proof of the purchase money security interests constituted hereby.

3. OBLIGATIONS

The charges and security interests created by this Agreement secure the due and punctual payment of all indebtedness, liabilities and obligations, present or future, direct or indirect, absolute or contingent, extended or reviewed, matured or not, of the Borrower to the Lender, including without limitation, under or in any way connected with, arising out of or contemplated by the Loan Documents or otherwise, and all costs of realization, legal or other costs, charges and expenses from time to time owing by the Borrower to the Lender (the “**Obligations**”).

4. REPRESENTATIONS AND WARRANTIES OF THE BORROWER

4.1 Representations and Warranties

The Borrower represents and warrants to the Lender that:

- (a) the Borrower owns and possesses all Collateral held at present and has good title thereto, free from all security interests, charges, encumbrances, liens and claims, save only those in respect of the Permitted Liens;
- (b) the Borrower has the right and authority to create the security interests created in this Agreement;

- (c) the only locations of Collateral (other than Inventory in transit) and the only places the Borrower carries on business or proposes to carry on business are described in **Schedule “2”**;
- (d) at the date of this Agreement, there is no Event of Default and no circumstance which, with the giving of notice or lapse of time would become an Event of Default;
- (e) the Borrower's chief executive office is at the location specified in **Schedule “2”**; and
- (f) all of the “serial numbered goods” (as defined in the Regulations to the PPSA), other than inventory to be sold or leased in which the Borrower has rights, are described in **Schedule “1”**.

4.2 Reliance and Survival

All representations and warranties of the Borrower made herein or in any other Loan Document delivered by or on behalf of the Borrower for the benefit of the Lender are material, will survive the execution and delivery of this Agreement and will continue in full force and effect without time limit. The Lender shall be deemed to have relied upon each such representation and warranty notwithstanding any investigation made by or on behalf of the Lender at any time.

5. BORROWER'S COVENANTS

5.1 Positive Covenants

The Borrower covenants and agrees with the Lender that, during the term of this Agreement, it will:

- (a) execute and deliver all such documents and pay such fees and taxes and take such other actions as may be necessary to attach, continue, preserve, perfect and protect the security interests created in this Agreement, and the Borrower irrevocably appoints the Lender as its attorney-in-fact to execute, deliver, file and record any such documents for the Lender and in its name and stead;
- (b) keep the Collateral in all material respects in a good state of repair, working order and operating condition in accordance with its nature and description (reasonable wear and tear excepted);
- (c) defend the Collateral against all claims and demands of all Persons claiming the Collateral or interest in the Collateral;
- (d) on reasonable notice to the Borrower, permit the Lender to inspect the Collateral at any time the office at which the Collateral is located is open for business;
- (e) provide the Lender with written notice of its intention to move any material amount of the Collateral to another location, before the Collateral is moved, except when the Collateral is moved in the ordinary course of the Borrower's business;
- (f) upon demand by the Lender, furnish in writing to the Lender all information reasonably requested concerning the Collateral and that it will promptly advise the Lender of the serial number, year, make and model of each serial numbered good, other than inventory

to be sold or leased, as determined by the Borrower, acting reasonably, at any time included in the Collateral;

- (g) pay and reimburse the Lender for all reasonable costs, charges and expenses of and incidental to the taking, preparation, execution and registering notice (and any amendments and renewals of such notice) of this Agreement and in taking, recovering, keeping possession of or inspecting the Collateral and generally in any other proceedings taken in administering this Agreement or enforcing the remedies in this Agreement or otherwise in relation to this Agreement or by reason of non-payment or procuring payment of the monies hereby secured (including the reasonable compensation and the disbursements of Lender's counsel and all other advisers and assistants not regularly in their employ), both before any Event of Default occurs and thereafter until all Obligations of the Borrower are fully satisfied;
- (h) if the Collateral of the Borrower at any time includes Securities, the Borrower shall, if required by the Lender, transfer the Securities into the name of the Lender or the Lender's nominee and, so long as no Event of Default has occurred and is continuing, the Lender will provide the Borrower with all notices and other communications received by it or its nominee as registered owner of such Securities and will appoint, or cause its nominee to appoint, the Borrower as proxy to vote with respect to the Securities;
- (i) if the Lender advances money to the Borrower for the purpose of enabling the Borrower to purchase or acquire rights in any Collateral, the Borrower shall use such money only for that purpose and will promptly provide the Lender with evidence that such money was so applied upon the Lender's request;
- (j) if and whenever the Borrower is able or entitled to obtain a renewal or extension of any lease, license, concession, easement, right-of-way, servitude, franchise, permit or right, from time to time duly renew or extend the same if in the opinion of the majority of the directors of the Borrower, that it is advantageous to the Borrower to do so;
- (k) notify the Lender promptly of:
 - (i) any change in the information contained herein relating to the Borrower, its address, its business or the Collateral;
 - (ii) the details of any material acquisition of Collateral;
 - (iii) any material loss or damage to the Collateral;
 - (iv) any material default by any Account Debtor in payment or other performance of its obligations to the Borrower with respect to any Accounts; and
 - (v) the return to or repossession by the Borrower of the Collateral where such return or repossession of the Collateral is material in relation to the business of the Borrower;
- (l) promptly notify the Lender if the Borrower's chief executive office is moved; and
- (m) operate its business in a proper and efficient manner as to preserve and protect the Collateral and the earnings and profits of the business.

5.2 Negative Covenants

The Borrower covenants and agrees with the Lender that, during the term of this Agreement, it will not, without the prior written consent of the Lender:

- (a) except in the ordinary course of business, permit the Collateral to become subject to any mortgage, charge, encumbrance or security interest other than Permitted Liens;
- (b) sell, lease or otherwise dispose of the Collateral or any part or parts of the Collateral, except as permitted by Section 5.3;
- (c) remove the Collateral or permit any assets to be removed from the locations listed in Schedule "2" unless such removal is in the ordinary course of business and for the purposes of carrying on such business or is otherwise permitted herein; or
- (d) except in the ordinary course of business, release, surrender or abandon the Collateral or any part or parts thereof.

5.3 Sale of Collateral

Until an Event of Default has occurred and is continuing and the Lender has determined to enforce the security interests hereby created, the Borrower may sell or lease the Collateral only in the ordinary course of business on commercially reasonable terms and in compliance with the terms of the Loan Agreement.

5.4 Performance by Lender

If the Borrower defaults in the performance of any covenant hereunder, the Lender may perform any covenant of the Borrower capable of being performed by the Lender and if the Lender is put to any costs, charges, expenses or outlays to perform any such covenant, the Borrower will indemnify the Lender for such costs, charges, expenses or outlays and such costs, charges expenses or outlays (including solicitors' fees and charges incurred by the Lender) will be payable forthwith by the Borrower to the Lender, shall bear interest at the highest rate borne by any of the other Obligations and shall, together with such interest, form part of the Obligations secured by this Agreement. All references in this Agreement to solicitors' fees and charges shall be deemed to mean and include fees and charges on a solicitor and client basis.

5.5 Costs of Enforcement

In any judicial proceedings taken to cancel this Agreement or to enforce this Agreement and the covenants of the Borrower hereunder, the Lender shall be entitled to costs on a "special costs" basis. Any costs so recovered shall be credited against any solicitors' fees and charges paid or incurred by the Lender relating to the matters in respect of which the costs were awarded and which have been added to the monies secured hereunder.

6. DEFAULT AND ENFORCEMENT

6.1 Events of Default

An Event of Default under the Loan Agreement or under any of the other Loan Documents will constitute an event of default under this Agreement (an "**Event of Default**").

6.2 Acceleration

If an Event of Default occurs, the entire unpaid balance of the Obligations may be accelerated and become immediately due and payable at the option of the Lender.

6.3 Security Interests Enforceable

The occurrence of an Event of Default which is continuing will cause the security interests created by this Agreement to become enforceable without the need for any action or notice on the part of the Lender and the Lender will be entitled to exercise such rights and remedies as are provided by the PPSA and all other rights and remedies recognized at law or in equity against the Borrower or in respect of the Collateral for the enforcement of full payment and performance of the Obligations.

6.4 Crystallization

Any floating charge created by this Agreement shall crystallize and become a fixed charge upon:

- (a) the Borrower becoming insolvent or bankrupt or making an assignment or proposal under the applicable bankruptcy or insolvency legislation in favour of its creditors;
- (b) a bankruptcy petition being filed or presented against the Borrower;
- (c) a receiver, receiver-manager, trustee, custodian, liquidator or similar agent being appointed for the Borrower or for any material part of the Borrower's property or assets;
- (d) the Borrower failing to pay the Obligations when due; or
- (e) the Lender, while an Event of Default is continuing, notifying the Borrower in writing that the floating charge created by this Agreement has crystallized and become a fixed charge.

6.5 Remedies of Lender

If the security interests created by this Agreement become enforceable then, in addition to any rights and remedies the Lender has under the other Loan Documents, the Lender may enforce its rights by any one or more of the following remedies:

- (a) by taking possession of the Collateral or any part of it and collecting demanding, suing, enforcing, recovering, receiving and getting in the Collateral;
- (b) by selling or leasing the Collateral, whether or not it has taken possession of it;
- (c) by proceedings in any court of competent jurisdiction for the appointment of a receiver or receiver-manager of all or any part of the Collateral;
- (d) by proceedings in any court of competent jurisdiction for the sale or foreclosure of all or any part of the Collateral;
- (e) by filing of proofs of claim and other documents to establish its claim in any proceeding or proceedings relating to the Borrower;

- (f) by appointment by instrument in writing of a receiver or receiver-manager of all or any part of the Collateral;
- (g) by retaining any of the Collateral in satisfaction of all or part of the Obligations; or
- (h) by any other remedy or proceeding authorized or permitted by this Agreement or by law or equity.

6.6 Power of Sale

The provisions of Subsection 6.8(g) will apply, *mutatis mutandis*, to a sale or lease of any of the Collateral by the Lender pursuant to Subsection 6.5(b).

6.7 Power of Attorney

The Borrower hereby grants the Lender an irrevocable power of attorney exercisable any time after the security interests hereby created have become enforceable, to execute all such documents, agreements and assignments and to take whatever steps are necessary, in the opinion of the Lender and its legal counsel, acting reasonably, to transfer and assign all property and assets of the Borrower into the name of the Lender, including but not limited to the assignment of all intangibles and intellectual property owned by the Borrower.

6.8 Receiver or Receiver-Manager

Any time after the security interests hereby created have become enforceable, the Lender may, from time to time, appoint in writing any qualified person (including an officer or employee of a Lender) to be a receiver or receiver-manager (the “**Receiver**”) of the Collateral and may likewise remove any such person so appointed and appoint another qualified person in his stead. Any such Receiver appointed hereunder shall have the following powers:

- (a) to take possession of the Collateral or any part thereof, and to collect and get in the same and for that purpose to enter into and upon any lands, tenements, buildings, houses and premises wheresoever and whatsoever and to do any act and take any proceedings in the name of the Borrower, or otherwise, as the Receiver deems necessary;
- (b) to carry on or concur in carrying on the business of the Borrower (including, without limitation, the payment of the obligations of the Borrower whether or not they are due and the cancellation or amendment of any contracts between the Borrower or any other Person) and the employment and discharge of such agents, managers, clerks, accountants, employees, contractors, agents, workers and others upon such terms and with such salaries, wages or remuneration as the Receiver thinks proper;
- (c) to repair and keep in repair the Collateral or any part or parts thereof and to do all necessary acts and things for the protection of the Collateral;
- (d) to make any arrangement or compromise which he thinks expedient in the interest of the Lender or the Borrower and to assent to any modification or change in or omission from the provisions of this Agreement;

- (e) to exchange any part or parts of the Collateral for any other property suitable for the purposes of the Borrower upon such terms as may seem expedient and either with or without payment or exchange of money or equality of exchange or otherwise;
- (f) to raise on the security of the Collateral or any part or parts thereof, by mortgage, charge or otherwise any sum of money required for the repair, insurance or protection thereof, or any other purposes herein mentioned, or as may be required to pay off or discharge any lien, charge or encumbrance upon the Collateral or any part thereof, which would or might have priority over the security interests hereby created; and
- (g) whether or not the Receiver has taken possession, to sell or lease or concur in the sale or leasing of any of the Collateral or any part or parts thereof after giving the Borrower not less than 20 days' prior written notice of his intention to sell or lease and to carry any such sale or lease into effect by conveying, transferring, leasing or assigning in the name of or on behalf of the Borrower or otherwise; and any such sale or lease may be made either at public auction or privately as the Receiver determines and any such sale or lease may be made from time to time as to the whole or any part or parts of the Collateral; and the Receiver may make any stipulations as to title or conveyance or commencement of title or otherwise which the Receiver deems proper; and the Receiver may buy in or rescind or vary any contract for the sale or lease of any of the Collateral or any part or parts thereof, and may resell and release without being answerable for any loss occasioned thereby; and the Receiver may sell or lease any of the same as to cash or part cash and part credit or otherwise (including by deferred payment arrangement) as appears to be most advantageous and at such prices as can be reasonably obtained therefor and in the event of a sale or lease on credit neither he nor the Lender shall be accountable or charged with any monies until actually received.

6.9 Liability of Receiver

The Receiver appointed and exercising powers under the provisions hereof will not be liable for any loss unless the loss is caused by the Receiver's own gross negligence or wilful default, and the Receiver will, when so appointed, be deemed to be the agent of the Borrower and the Borrower will be solely responsible for the Receiver's acts and defaults and for the Receiver's remuneration.

6.10 Effect of Appointment of Receiver

As soon as the Lender takes possession of any Collateral or appoints a Receiver, all powers, functions, rights and privileges of the directors and officers of the Borrower with respect to the Collateral cease, unless specifically continued by the written consent of the Lender or the Receiver.

6.11 Validity of Sale or Lease

No purchaser at any sale and no lessee under any lease purporting to be made in pursuance of the power set forth in Subsections 6.5(b) and 6.8(g) will be bound to see or inquire whether any default has been made or continues or whether any notice required hereunder has been given or as to the necessity or expediency of the stipulations subject to which sale or lease have been made or otherwise as to the propriety of such sale or lease, or regularity of proceedings or be affected by notice that such default has been made or continues or notice given as aforesaid, or that the sale or lease is otherwise unnecessary, improper or irregular; and notwithstanding any impropriety or irregularity or notice thereof to such purchaser or lessee the sale or lease as regards such purchaser or lessee will be deemed to be within the

aforesaid power and be valid accordingly and the remedy, if any, of the Borrower in respect of any impropriety or irregularity whatsoever in any such sale or lease will be in damages only.

6.12 Proceeds of Disposition

All monies received by the Lender or any Receiver will be applied as follows:

- (a) first, to pay and discharge all rents, taxes, insurance premiums and other prior charges affecting the Collateral;
- (b) second, to the costs and expenses incurred in connection with a realization against the Collateral, and the costs of sale or lease and taking possession, including the remuneration of the Receiver, if applicable;
- (c) third, to pay all amounts required to keep in good standing all liens and charges on the Collateral prior to the security interests hereby created;
- (d) fourth, to pay any principal, interest and other monies due and payable under the Loan Documents, in such order as the Lender may direct; and
- (e) finally, the balance, if any, to the Borrower.

6.13 No Set-Off

The Obligations will be paid by the Borrower without regard to any equities between the Borrower and the Lender or any right of set-off, combination of accounts or cross-claim. Any indebtedness owing by the Lender to the Borrower may be set off or applied against, or combined with, the Obligations by the Lender at any time, either before or after maturity, without demand on, or notice to, anyone.

6.14 Deficiency

If the proceeds of a sale of the Collateral by the Lender under Section 6.5 or by a Receiver under Section 6.8 are insufficient to fully pay the Obligations, the Borrower will at all times remain liable for the payment of such deficiency and will forthwith pay to the Lender the deficiency.

6.15 Waiver

The Lender may waive any breach by the Borrower of any of the provisions of this Agreement or any Event of Default, but no such waiver will extend to or affect any subsequent breach or Event of Default under this Agreement.

7. ASSIGNMENT

7.1 Assignment by Borrower

This Agreement will not be assigned by the Borrower without the prior written consent of the Lender.

7.2 Assignment by Lender

The Lender may, without notice to the Borrower, at any time assign, transfer or grant a security interest in this Agreement and the security interests hereby granted to any Person including but not limited to any other lender. The Borrower expressly agrees that the assignee, transferee or secured party, as the case

may be, will have all of the Lender's rights and remedies under this Agreement and the Borrower will not assert any defence, counterclaim, right of set-off or otherwise any claim which the Borrower now has or hereafter acquires against the Lender in any action commenced by any such assignee, transferee or secured party, as the case may be, and will pay the Obligations to the assignee, transferee or secured party, as the case may be, as the Obligations become due.

8. INSURANCE

The Borrower will keep the Collateral insured in accordance with the terms and conditions set forth in the Loan Agreement.

9. AMENDMENT

9.1 Amendments Generally

No amendment to this Agreement will be effective unless it is in writing and signed by each of the parties to this Agreement or their permitted assigns.

10. NOTICE

Any notice under this Agreement will be given in writing and will be delivered to the party to which notice is to be given at the address indicated on page 1 of this Agreement, or at another address designated by that party in writing. Notice will be deemed to have been given at the time of delivery.

11. GENERAL

11.1 No Automatic Discharge

Subject to Subsection 11.2, this Agreement will not be or be deemed to have been discharged by reason only of the Borrower and/or any other Loan Party ceasing to be indebted or under any liability, direct or indirect, absolute or contingent, to the Lender.

11.2 Discharge

If at any time there are no Obligations then in existence and neither the Borrower or any other Loan Party is in default of any of the terms of any of the Loan Documents, as applicable, then, at the request and at the expense of the Borrower and upon payment by the Borrower to the Lender of the Lender's reasonable discharge fee for discharging a security agreement, the Lender shall cancel and discharge this Agreement and the security interests herein granted and the Lender shall execute and deliver to the Borrower all such documents as are required to effect such discharge.

11.3 No Obligation to Advance

The Borrower acknowledges and agrees that none of the preparation, execution or registration of notice of this Agreement shall bind the Lender to advance the monies hereby secured.

11.4 Security Additional

The Borrower agrees that the mortgages, charges and security interests created by this Agreement are in addition to and not in substitution for any other security now or hereafter held by the Lender.

11.5 Realization

The Borrower acknowledges and agrees that the Lender may realize upon various securities securing the Obligations or any part thereof in such order as it may be advised and any part thereof in such order as it may be advised and any such realization by any means upon any security or any part thereof shall not bar realization upon any other security or the security hereby constituted or parts thereof.

11.6 No Merger

This Agreement will not operate to create any merger or discharge of any of the Obligations, or of any assignment, transfer, guarantee, lien, contract, promissory note, bill of exchange or security interest held or which may hereafter be held by the Lender from the Borrower or from any other Person whomsoever. The taking of a judgement with respect to any of the Obligations will not operate as a merger of any of the covenants contained in this Agreement.

11.7 Extensions

The Lender may grant extensions of time and other indulgences, take and give up security, accept compositions, compound, compromise, settle, grant releases and discharges, refrain from perfecting or maintaining perfection of security interests and otherwise deal with the Borrower, Account Debtors, sureties and others and with the Collateral and other security interests as the Lender may see fit without prejudice to the liability of the Borrower or the Lender's right to hold and realize on the security constituted by this Agreement.

11.8 Provisions Reasonable

The Borrower acknowledges that the provisions of this Agreement and, in particular, those respecting rights, remedies and powers of the Lender or any Receiver against the Borrower, its business and any Collateral are commercially reasonable.

11.9 Appropriation of Payments

Any and all payments made in respect of the Obligations from time to time and monies realized from any security interests held therefor (including monies collected in accordance with or realized on any enforcement of this Agreement) may be applied to such part or parts of the Obligations as the Lender may see fit and the Lender may at all times and from time to time change any appropriation as the Lender may see fit.

11.10 No Representations

The Borrower acknowledges and agrees that the Lender has made no representations or warranties other than those contained in the Loan Documents.

11.11 Use of Collateral by Borrower

Unless otherwise set forth in this Agreement, until an Event of Default occurs or is continuing, the Borrower will be entitled to possess, operate, collect, use and enjoy the Collateral in any manner not inconsistent with the terms hereof.

11.12 Disclosure of Information

The Borrower hereby consents to the Lender, in compliance or purported compliance with any statutory disclosure requirements, disclosing information about the Borrower, this Agreement, the Collateral and the Obligations to any Person the Lender believes is entitled to such information.

11.13 Statutory Waivers

To the fullest extent permitted by law, the Borrower waives all of the rights, benefits and protections given by the provision of any existing or future statute which imposes limitations upon the powers, rights or remedies of a secured party or upon the methods of realization of security, including any seize or sue or anti-deficiency statute or any similar provisions of any other statute.

11.14 Lender Separate Class of Creditor

If the Borrower makes a proposal under applicable bankruptcy or insolvency legislation, or if proceedings are commenced under the *Companies Creditors Arrangement Act* (Canada) with respect to the Borrower, the Lender shall for the purposes of voting and all other matters in relation to such proposal or proceedings be a class of creditor separate from all other creditors of the Borrower.

11.15 Copy of Agreement and Financing Statement

The Borrower acknowledges receiving a copy of this Agreement and waives all rights to receive from the Lender a copy of any financing statement, financing change statement or verification statement filed, issued, or obtained at any time in respect of this Agreement.

11.16 PPSA Shall Govern

Notwithstanding anything herein to the contrary, to the extent that the provisions of the PPSA impose obligations upon or restrict the rights or remedies of the Lender herein provided, which (i) have not been waived or varied by the Borrower herein whether expressly or by implication, or (ii) have been waived or varied herein, but are, by the provisions of the PPSA, incapable of waiver or variance by the Borrower, the provisions of the PPSA shall govern and the affected provisions hereof shall be deemed to be amended to the extent necessary to give effect to the said provisions of the PPSA without in any way affecting any other provision or provisions herein.

11.17 Entire Agreement

This Agreement and the other Loan Documents to which each is a party constitute the entire agreement between the parties with respect to the subject matter of this Agreement and there are no other collateral agreements or representations made in connection with this Agreement other than the other Loan Documents to which each is a party or as referred to herein.

11.18 Conflict

In the event of a conflict between the provisions of this Agreement and the Loan Agreement, the provisions of the Loan Agreement shall prevail.

11.19 Time

Time is of the essence of this Agreement.

12. AMALGAMATION BY BORROWER

The Borrower hereby acknowledges and agrees that, in the event it amalgamates or otherwise merges with any other corporation or corporations, it is the intention of the parties hereto that the term Borrower, when used herein, shall apply to each of the amalgamating or merging corporations and to the amalgamated or merged corporation, such that the charges and security interests granted hereby:

- (a) shall extend to Collateral owned by each of the amalgamating or merging corporations and the amalgamated or merged corporation at the time of amalgamation or merger and to any Collateral thereafter owned or acquired by the amalgamated or merged corporation;
- (b) shall secure the Obligations of each of the amalgamating or merging corporations and the amalgamated or merged corporation to the Lender at the time of amalgamation or merger and any Obligations of the amalgamated or merged corporation to the Lender arising after the amalgamation or merger; and
- (c) shall attach to Collateral owned by each corporation amalgamating or merging with the Borrower, and by the amalgamated or merged corporation, at the time of amalgamation, and shall attach to any Collateral thereafter owned or acquired by the amalgamated or merged corporation when such becomes owned or is acquired.

IN WITNESS of this Agreement, the Borrower has signed, sealed and delivered this Agreement as of the date first written above.

SOLVAQUA INC.

DocuSigned by:

3CD3B233A01B415...
Chris Tesarski
President and Chief Executive Officer

SCHEDULE "1"

SPECIFIC COLLATERAL

**3 Pilot Systems valued @approx.
\$100,000 USD Build out \$150,000**

**1 Gen 1 System in WY valued @approx.
\$100,000 USD Build out \$200,000**

**2 Gen IV Systems in Midland, TX valued @approx
\$300,000 USD Build out \$350,000**

**1 Small Commercial Gen III System needs refurb valued @approx
\$50,000 USD Build out \$150,000**

SCHEDULE "2"

LOCATIONS OF COLLATERAL

Head Office: Suite 1050, 444 – 5th Avenue SW
Calgary, AB T2P 2T8

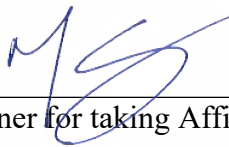
Registered and Records Office:

2205, 500 – 4th Ave. SW
Calgary, Alberta T2P 2V6

PLACES OF BUSINESS

Suite 1050, 444 – 5th Avenue SW
Calgary, AB T2P 2T8

This is Exhibit "L" referred to in the
Affidavit of Ariel S. Belilo affirmed before
me, this 15th day of August, 2022

A handwritten signature in blue ink, appearing to be 'MS', written over a horizontal line.

A Commissioner for taking Affidavits, etc.

Michael Crampton, LSO #74512G

GENERAL SECURITY AGREEMENT

THIS AGREEMENT dated for reference the 4th day of January, 2021, is made

BETWEEN:

ARNAKI LTD., a corporation incorporated under the laws of the British Virgin Islands (hereinafter referred to as the “**Lender**”)

AND:

SOLVAQUA INC., a corporation incorporated under the laws of the Province of Alberta with its head office at Suite 1050, 444 – 5th Avenue SW, Calgary, Alberta, Canada (hereinafter referred to as the “**Borrower**”)

WHEREAS the Lender has agreed to loan funds to the Borrower pursuant to the terms and conditions of the Loan Agreement (as hereinafter defined) and the Borrower has agreed to grant to the Lender a general security agreement to secure due payment of the loan made by the Lender and any other indebtedness and obligations of the Borrower to the Lender;

THEREFORE, for value received, the Borrower covenants and agrees with the Lender as follows:

1. INTERPRETATION

1.1 Agreement Definitions

In this Agreement, unless specifically defined herein, all terms used herein shall have the meanings specified in the Loan Agreement:

- (a) “**Account Debtor**” has the meaning assigned in Section 2.4;
- (b) “**Accounts**” has the meaning assigned in Subsection 2.1(a)(i);
- (c) “**BCA**” means the *Business Corporations Act* (Alberta) as amended from time to time;
- (d) “**Change of Control**” has the meaning specified in the Loan Agreement;
- (e) “**Collateral**” means the property described in Section 2.1;
- (f) “**Equipment**” has the meaning assigned in Subsection 2.1(a)(ii);
- (g) “**Event of Default**” means an event described in Section 6.1;
- (h) “**Inventory**” has the meaning assigned in Subsection 2.1(a)(iii);
- (i) “**Lender**” means Arnaki Ltd. and its successors and assigns;
- (j) “**Loan Agreement**” means the loan agreement between the Lender, the Borrower and any other signatories party thereto dated concurrently herewith, as may be amended, amended or restated, or supplemented from time to time;

- (k) “**Loan Documents**” has the meaning specified in the Loan Agreement;
- (l) “**Obligations**” has the meaning assigned in Section 3;
- (m) “**PPSA**” means the *Personal Property Security Act* (Alberta) and all regulations thereto, as amended from time to time;
- (n) “**Permitted Liens**” has the meaning specified in the Loan Agreement;
- (o) “**Person**” has the meaning specified in the Loan Agreement;
- (p) “**Receiver**” means a receiver or receiver and manager appointed under Section 6.8;
- (q) “**Securities**” has the meaning ascribed thereto in Subsection 2.1(d);
- (r) “**Security**” has the meaning specified in the Loan Agreement; and
- (s) “**Subsidiaries**” and “**Subsidiary**” has the meaning specified in the Loan Agreement.

1.2 PPSA Definitions

Unless a different meaning is assigned in this Agreement, the following terms have the meanings assigned in the PPSA: accessions, accounts, chattel paper, consumer goods, documents of title, equipment, goods, instruments, intangibles, inventory, investment property, licences, money, proceeds and security.

1.3 Governing Law

This Agreement is governed by the laws of the Province of Alberta and the parties attorn to the non-exclusive jurisdiction of the courts of Alberta for the resolution of all disputes under this Agreement.

1.4 Severability

If any one or more of the provisions contained in this Agreement is found to be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein will not in any way be affected or impaired thereby.

1.5 Parties In Interest

This Agreement enures to the benefit of and is binding on the parties to this Agreement and their respective successors and permitted assigns.

1.6 Headings and Marginal References

The division of this Agreement into sections, subsections, paragraphs and subparagraphs and the insertion of headings is for convenience of reference only and does not affect the construction or interpretation of this Agreement.

1.7 Currency

All dollar amounts in this Agreement are stated in lawful currency of Canada or as otherwise stated pursuant to the terms of the Loan Agreement.

1.8 Accounting Principles

Unless otherwise specified in this Agreement, all accounting terminology and calculations shall be made in accordance with Canadian generally accepted accounting principles, consistently applied.

2. SECURITY INTEREST

2.1 Security Interest

As security for the payment and performance of the Obligations of the Borrower, the Borrower:

- (a) mortgages, charges, assigns and transfers to the Lender, and grants to the Lender a continuing security interest in, and the Lender takes the security interest in, all of the Borrower's present and after acquired personal property and all proceeds thereof (except the property of the Borrower described in Section 2.2) of every nature and kind and wherever situate, including, without limitation:
 - (i) all debts, accounts, claims, monies and choses in action which now are, or which may at any time hereafter be due or owing to the Borrower or in which the Borrower acquires rights, and all books, records, documents, papers and electronically recorded data recording, evidencing, securing or otherwise relating to such debts, accounts, claims, monies and choses in action or any part or parts thereof (collectively, the “**Accounts**”);
 - (ii) all present and future equipment now or hereafter owned by the Borrower or in which the Borrower acquires rights, including all machinery, electronic equipment, fixtures, plants, tools, furniture, vehicles of any kind or description, all spare parts, accessions or accessories located at or installed in or affixed or attached to any of the foregoing, and all drawings, specifications, plans and manuals relating thereto and any other goods that are not Inventory (collectively, the “**Equipment**”);
 - (iii) all present and future inventory of whatever kind now or hereafter owned by the Borrower or in which the Borrower acquires rights, including all raw materials, materials used or consumed in the business or profession of the Borrower, goods, work in progress, finished goods, returned goods, repossessed goods, goods used for packing, all packaging materials, supplies and containers, materials used in the business of the Borrower, whether or not intended for sale and goods acquired or held for sale, lease or resale or furnished or to be furnished under contracts of rental or service (collectively, the “**Inventory**”);
 - (iv) all chattel paper, documents of title, instruments, securities, investment property and money now or hereafter owned by the Borrower or in which the Borrower acquires rights;
 - (v) all intangible property of the Borrower (save and except for Accounts) now or hereafter owned by the Borrower, including, without limitation, all contractual rights, licences, goodwill, patents, trademarks, tradenames, copyrights, other industrial designs and other industrial or intellectual property and undertaking of

the Borrower and all other choses in action of the Borrower of every kind which now are, or which may at any time hereafter be, due or owing to or owned by the Borrower or in which the Borrower acquires rights and all other intangible property of the Borrower which is not Accounts, goods, chattel paper, documents of title, instruments, money, investment property or securities; and

- (vi) all the property of the Borrower described in Schedule "1", if any.
- (b) charges as and by way of a floating charge to and in favour of the Lender, and grants to the Lender a security interest in and to:
- (i) all of the Borrower's right, title and interest in and to all its presently owned or held and after acquired or held real, immovable and leasehold property and all interests therein, and all easements, rights-of-way, privileges, benefits, licences, improvements and rights whether connected therewith or appurtenant thereto or separately owned or held, including all structures, plant and other fixtures; and
 - (ii) all property, assets and undertakings of the Borrower, both present and future, of whatsoever nature or kind and wheresoever situate, and all proceeds thereof, other than such of the property, assets and undertakings of the Borrower as are otherwise validly and effectively subject to the charges and security interests in favour of the Lender created pursuant to Subsection 2.1(a) or (c) hereof or are excluded pursuant to Section 2.2 hereof;
- (c) mortgages and charges as and by way of a fixed and specific charge to and in favour of the Lender, and assigns and transfers to the Lender and grants to the Lender, by way of mortgage, charge, assignment and transfer, a security interest in all of the right, title and interest, both present and future of the Borrower, in and to all of its presently owned or held and after acquired or held property which:
- (i) is or hereafter becomes a fixture; or
 - (ii) constitutes a licence, quota, permit or other similar right or benefit or crops; and
- (d) pledges and hypothecates to the Lender and grants to the Lender a security interest in: all of the investment property owned by the Borrower from time to time in the capital of each of the Subsidiaries; all dividends or distributions declared or made at any time in respect of any of the investment property owned by the Borrower in the capital of any Subsidiary; all options, warrants or rights issued to or acquired at any time by the Borrower and all proceeds from the above described property; (collectively the "**Securities**"), as general and continuing collateral security for the payment, satisfaction or performance of the Obligations. In accordance with the pledge and assignment of the Securities hereunder, upon request from the Lender, the Borrower will deliver or cause to be delivered contemporaneously with the execution and delivery of this Agreement, certificates representing the Securities, attached to powers of attorney and forms of transfer, duly executed in blank. The Borrower hereby appoints the Lender as an irrevocable attorney of the Borrower with full power of substitution from time to time to endorse and/or transfer any of the Securities and to exercise all rights and powers of the Borrower in respect of the Securities and the Lender and its nominees are hereby empowered to exercise all rights and powers and to perform all acts of ownership in respect of the Securities to the same extent as the Borrower might do; provided, however,

that such appointment will only be effective upon the occurrence of an Event of Default and so long as such Event of Default is subsisting. This appointment is coupled with an interest and will not be revoked by the insolvency, bankruptcy, reorganization, arrangement, composition, dissolution, liquidation, winding-up or similar proceeding involving or affecting the Borrower or for any other reason.

Until the occurrence of an Event of Default, the Borrower will be entitled to exercise the voting rights under the Securities and, for that purpose, the Lender will execute and deliver to the Borrower all necessary proxies and such other documentation as may reasonably be required. Upon the occurrence of an Event of Default which is continuing, whether or not the Securities have been registered in the name of the Lender or its nominee, the Lender or its nominee will have the right to exercise all voting rights with respect to the Securities and will have all other corporate rights and all conversion, exchange, subscription or other rights, privileges, or options pertaining thereto as if it were the absolute owner thereof including, without limitation, the right to exchange any or all of the Securities upon the merger, consolidation, reorganization, recapitalization or other readjustment of the Subsidiaries, or upon the exercise by the defaulting Borrower of any right, privilege or option pertaining to any of the Securities, and, in connection therewith, to deliver any of the Securities to any depository, transfer agent, registrar or other designated agency upon such terms and conditions as it may determine, all without liability except to account for property actually received by it; but neither the Lender nor its nominee will have any duty to exercise any of the aforesaid rights, privileges or options and will not be responsible for any failure to do so or delay in so doing. Any cash dividends or distributions in respect of the Securities that are made payable and received by the Borrower at any time will be received in trust for the Lender and paid forthwith to the Lender to be applied in payment or satisfaction of the Obligations in such order as the Lender may deem fit and any excess so received after the payment and satisfaction in full of the obligations shall be paid over to the Borrower.

The property of the Borrower described in Subsections (a), (b) (c) and (d) above is collectively referred to in this Agreement as “**Collateral**”.

2.2 Exclusions

The security interests granted herein do not apply or extend to:

- (a) the last day of any term created by any lease, oral or written, or agreement therefor now held or later acquired by the Borrower but the Borrower will stand possessed of the reversion thereby remaining in the Borrower of any leasehold premises in trust for the Lender to assign and dispose of as the Lender or any purchaser of such leasehold premises directs;
- (b) if any lease or other agreement contains a provision which provides in effect that such lease or agreement may not be assigned, subleased, charged or encumbered without the leave, licence, consent or approval of the lessor, the Borrower shall immediately advise the Lender in writing and shall take all steps necessary to obtain such approval or consent, and the application of the security interest created hereby to any such lease or agreement is conditional upon such leave, licence, consent or approval having been obtained and the security interest created hereby will attach to such lease or agreement as soon as such leave, licence, consent or approval is obtained; or

- (c) any consumer goods of the Borrower.

2.3 Attachment

The Borrower acknowledges conclusively that the Borrower and the Lender intend the charges and security interests on the Collateral to attach immediately upon the execution of this Agreement, and in the case of Collateral in which the Borrower subsequently acquires rights contemporaneously with the Borrower acquiring rights therein. The Borrower acknowledges conclusively that value has been given.

2.4 Notification

After the occurrence of an Event of Default which is continuing, the Lender may notify any debtor of the Borrower on an intangible, chattel paper or Account, or any obligor on an instrument (an “**Account Debtor**”) to make all payments on Collateral to the Lender and the Borrower acknowledges that the proceeds of all sales, or any payments on or other proceeds of the Collateral, including, but not limited to, payments on, or other proceeds of, the Collateral received by the Borrower from any Account Debtor, whether before or after notification to such Account Debtor and whether before or after default under this Agreement shall, subject to the rights of holders of prior ranking interests in such proceeds, be received and held by the Borrower in trust for the Lender and shall be turned over to the Lender upon request and the Borrower shall not commingle any proceeds of or payments on the Collateral, with any of the Borrower's funds or property, but will hold them separate and apart.

2.5 Purchase Money Security Interests

The security interests created hereby shall constitute purchase money security interests to the extent that any of the Obligations are monies advanced by the Lender to the Borrower for the purpose of enabling the Borrower to purchase or acquire rights in any of the Collateral and were so used by the Borrower and a certificate of an officer of the Lender as to the extent that the Obligations are monies so advanced and used shall be *prima facie* proof of the purchase money security interests constituted hereby.

3. OBLIGATIONS

The charges and security interests created by this Agreement secure the due and punctual payment of all indebtedness, liabilities and obligations, present or future, direct or indirect, absolute or contingent, extended or reviewed, matured or not, of the Borrower to the Lender, including without limitation, under or in any way connected with, arising out of or contemplated by the Loan Documents or otherwise, and all costs of realization, legal or other costs, charges and expenses from time to time owing by the Borrower to the Lender (the “**Obligations**”).

4. REPRESENTATIONS AND WARRANTIES OF THE BORROWER

4.1 Representations and Warranties

The Borrower represents and warrants to the Lender that:

- (a) the Borrower owns and possesses all Collateral held at present and has good title thereto, free from all security interests, charges, encumbrances, liens and claims, save only those in respect of the Permitted Liens;
- (b) the Borrower has the right and authority to create the security interests created in this Agreement;

- (c) the only locations of Collateral (other than Inventory in transit) and the only places the Borrower carries on business or proposes to carry on business are described in **Schedule “2”**;
- (d) at the date of this Agreement, there is no Event of Default and no circumstance which, with the giving of notice or lapse of time would become an Event of Default;
- (e) the Borrower's chief executive office is at the location specified in **Schedule “2”**; and
- (f) all of the “serial numbered goods” (as defined in the Regulations to the PPSA), other than inventory to be sold or leased in which the Borrower has rights, are described in **Schedule “1”**.

4.2 Reliance and Survival

All representations and warranties of the Borrower made herein or in any other Loan Document delivered by or on behalf of the Borrower for the benefit of the Lender are material, will survive the execution and delivery of this Agreement and will continue in full force and effect without time limit. The Lender shall be deemed to have relied upon each such representation and warranty notwithstanding any investigation made by or on behalf of the Lender at any time.

5. BORROWER'S COVENANTS

5.1 Positive Covenants

The Borrower covenants and agrees with the Lender that, during the term of this Agreement, it will:

- (a) execute and deliver all such documents and pay such fees and taxes and take such other actions as may be necessary to attach, continue, preserve, perfect and protect the security interests created in this Agreement, and the Borrower irrevocably appoints the Lender as its attorney-in-fact to execute, deliver, file and record any such documents for the Lender and in its name and stead;
- (b) keep the Collateral in all material respects in a good state of repair, working order and operating condition in accordance with its nature and description (reasonable wear and tear excepted);
- (c) defend the Collateral against all claims and demands of all Persons claiming the Collateral or interest in the Collateral;
- (d) on reasonable notice to the Borrower, permit the Lender to inspect the Collateral at any time the office at which the Collateral is located is open for business;
- (e) provide the Lender with written notice of its intention to move any material amount of the Collateral to another location, before the Collateral is moved, except when the Collateral is moved in the ordinary course of the Borrower's business;
- (f) upon demand by the Lender, furnish in writing to the Lender all information reasonably requested concerning the Collateral and that it will promptly advise the Lender of the serial number, year, make and model of each serial numbered good, other than inventory

to be sold or leased, as determined by the Borrower, acting reasonably, at any time included in the Collateral;

- (g) pay and reimburse the Lender for all reasonable costs, charges and expenses of and incidental to the taking, preparation, execution and registering notice (and any amendments and renewals of such notice) of this Agreement and in taking, recovering, keeping possession of or inspecting the Collateral and generally in any other proceedings taken in administering this Agreement or enforcing the remedies in this Agreement or otherwise in relation to this Agreement or by reason of non-payment or procuring payment of the monies hereby secured (including the reasonable compensation and the disbursements of Lender's counsel and all other advisers and assistants not regularly in their employ), both before any Event of Default occurs and thereafter until all Obligations of the Borrower are fully satisfied;
- (h) if the Collateral of the Borrower at any time includes Securities, the Borrower shall, if required by the Lender, transfer the Securities into the name of the Lender or the Lender's nominee and, so long as no Event of Default has occurred and is continuing, the Lender will provide the Borrower with all notices and other communications received by it or its nominee as registered owner of such Securities and will appoint, or cause its nominee to appoint, the Borrower as proxy to vote with respect to the Securities;
- (i) if the Lender advances money to the Borrower for the purpose of enabling the Borrower to purchase or acquire rights in any Collateral, the Borrower shall use such money only for that purpose and will promptly provide the Lender with evidence that such money was so applied upon the Lender's request;
- (j) if and whenever the Borrower is able or entitled to obtain a renewal or extension of any lease, license, concession, easement, right-of-way, servitude, franchise, permit or right, from time to time duly renew or extend the same if in the opinion of the majority of the directors of the Borrower, that it is advantageous to the Borrower to do so;
- (k) notify the Lender promptly of:
 - (i) any change in the information contained herein relating to the Borrower, its address, its business or the Collateral;
 - (ii) the details of any material acquisition of Collateral;
 - (iii) any material loss or damage to the Collateral;
 - (iv) any material default by any Account Debtor in payment or other performance of its obligations to the Borrower with respect to any Accounts; and
 - (v) the return to or repossession by the Borrower of the Collateral where such return or repossession of the Collateral is material in relation to the business of the Borrower;
- (l) promptly notify the Lender if the Borrower's chief executive office is moved; and
- (m) operate its business in a proper and efficient manner as to preserve and protect the Collateral and the earnings and profits of the business.

5.2 Negative Covenants

The Borrower covenants and agrees with the Lender that, during the term of this Agreement, it will not, without the prior written consent of the Lender:

- (a) except in the ordinary course of business, permit the Collateral to become subject to any mortgage, charge, encumbrance or security interest other than Permitted Liens;
- (b) sell, lease or otherwise dispose of the Collateral or any part or parts of the Collateral, except as permitted by Section 5.3;
- (c) remove the Collateral or permit any assets to be removed from the locations listed in Schedule "2" unless such removal is in the ordinary course of business and for the purposes of carrying on such business or is otherwise permitted herein; or
- (d) except in the ordinary course of business, release, surrender or abandon the Collateral or any part or parts thereof.

5.3 Sale of Collateral

Until an Event of Default has occurred and is continuing and the Lender has determined to enforce the security interests hereby created, the Borrower may sell or lease the Collateral only in the ordinary course of business on commercially reasonable terms and in compliance with the terms of the Loan Agreement.

5.4 Performance by Lender

If the Borrower defaults in the performance of any covenant hereunder, the Lender may perform any covenant of the Borrower capable of being performed by the Lender and if the Lender is put to any costs, charges, expenses or outlays to perform any such covenant, the Borrower will indemnify the Lender for such costs, charges, expenses or outlays and such costs, charges expenses or outlays (including solicitors' fees and charges incurred by the Lender) will be payable forthwith by the Borrower to the Lender, shall bear interest at the highest rate borne by any of the other Obligations and shall, together with such interest, form part of the Obligations secured by this Agreement. All references in this Agreement to solicitors' fees and charges shall be deemed to mean and include fees and charges on a solicitor and client basis.

5.5 Costs of Enforcement

In any judicial proceedings taken to cancel this Agreement or to enforce this Agreement and the covenants of the Borrower hereunder, the Lender shall be entitled to costs on a "special costs" basis. Any costs so recovered shall be credited against any solicitors' fees and charges paid or incurred by the Lender relating to the matters in respect of which the costs were awarded and which have been added to the monies secured hereunder.

6. DEFAULT AND ENFORCEMENT

6.1 Events of Default

An Event of Default under the Loan Agreement or under any of the other Loan Documents will constitute an event of default under this Agreement (an "**Event of Default**").

6.2 Acceleration

If an Event of Default occurs, the entire unpaid balance of the Obligations may be accelerated and become immediately due and payable at the option of the Lender.

6.3 Security Interests Enforceable

The occurrence of an Event of Default which is continuing will cause the security interests created by this Agreement to become enforceable without the need for any action or notice on the part of the Lender and the Lender will be entitled to exercise such rights and remedies as are provided by the PPSA and all other rights and remedies recognized at law or in equity against the Borrower or in respect of the Collateral for the enforcement of full payment and performance of the Obligations.

6.4 Crystallization

Any floating charge created by this Agreement shall crystallize and become a fixed charge upon:

- (a) the Borrower becoming insolvent or bankrupt or making an assignment or proposal under the applicable bankruptcy or insolvency legislation in favour of its creditors;
- (b) a bankruptcy petition being filed or presented against the Borrower;
- (c) a receiver, receiver-manager, trustee, custodian, liquidator or similar agent being appointed for the Borrower or for any material part of the Borrower's property or assets;
- (d) the Borrower failing to pay the Obligations when due; or
- (e) the Lender, while an Event of Default is continuing, notifying the Borrower in writing that the floating charge created by this Agreement has crystallized and become a fixed charge.

6.5 Remedies of Lender

If the security interests created by this Agreement become enforceable then, in addition to any rights and remedies the Lender has under the other Loan Documents, the Lender may enforce its rights by any one or more of the following remedies:

- (a) by taking possession of the Collateral or any part of it and collecting demanding, suing, enforcing, recovering, receiving and getting in the Collateral;
- (b) by selling or leasing the Collateral, whether or not it has taken possession of it;
- (c) by proceedings in any court of competent jurisdiction for the appointment of a receiver or receiver-manager of all or any part of the Collateral;
- (d) by proceedings in any court of competent jurisdiction for the sale or foreclosure of all or any part of the Collateral;
- (e) by filing of proofs of claim and other documents to establish its claim in any proceeding or proceedings relating to the Borrower;

- (f) by appointment by instrument in writing of a receiver or receiver-manager of all or any part of the Collateral;
- (g) by retaining any of the Collateral in satisfaction of all or part of the Obligations; or
- (h) by any other remedy or proceeding authorized or permitted by this Agreement or by law or equity.

6.6 Power of Sale

The provisions of Subsection 6.8(g) will apply, *mutatis mutandis*, to a sale or lease of any of the Collateral by the Lender pursuant to Subsection 6.5(b).

6.7 Power of Attorney

The Borrower hereby grants the Lender an irrevocable power of attorney exercisable any time after the security interests hereby created have become enforceable, to execute all such documents, agreements and assignments and to take whatever steps are necessary, in the opinion of the Lender and its legal counsel, acting reasonably, to transfer and assign all property and assets of the Borrower into the name of the Lender, including but not limited to the assignment of all intangibles and intellectual property owned by the Borrower.

6.8 Receiver or Receiver-Manager

Any time after the security interests hereby created have become enforceable, the Lender may, from time to time, appoint in writing any qualified person (including an officer or employee of a Lender) to be a receiver or receiver-manager (the “**Receiver**”) of the Collateral and may likewise remove any such person so appointed and appoint another qualified person in his stead. Any such Receiver appointed hereunder shall have the following powers:

- (a) to take possession of the Collateral or any part thereof, and to collect and get in the same and for that purpose to enter into and upon any lands, tenements, buildings, houses and premises wheresoever and whatsoever and to do any act and take any proceedings in the name of the Borrower, or otherwise, as the Receiver deems necessary;
- (b) to carry on or concur in carrying on the business of the Borrower (including, without limitation, the payment of the obligations of the Borrower whether or not they are due and the cancellation or amendment of any contracts between the Borrower or any other Person) and the employment and discharge of such agents, managers, clerks, accountants, employees, contractors, agents, workers and others upon such terms and with such salaries, wages or remuneration as the Receiver thinks proper;
- (c) to repair and keep in repair the Collateral or any part or parts thereof and to do all necessary acts and things for the protection of the Collateral;
- (d) to make any arrangement or compromise which he thinks expedient in the interest of the Lender or the Borrower and to assent to any modification or change in or omission from the provisions of this Agreement;

- (e) to exchange any part or parts of the Collateral for any other property suitable for the purposes of the Borrower upon such terms as may seem expedient and either with or without payment or exchange of money or equality of exchange or otherwise;
- (f) to raise on the security of the Collateral or any part or parts thereof, by mortgage, charge or otherwise any sum of money required for the repair, insurance or protection thereof, or any other purposes herein mentioned, or as may be required to pay off or discharge any lien, charge or encumbrance upon the Collateral or any part thereof, which would or might have priority over the security interests hereby created; and
- (g) whether or not the Receiver has taken possession, to sell or lease or concur in the sale or leasing of any of the Collateral or any part or parts thereof after giving the Borrower not less than 20 days' prior written notice of his intention to sell or lease and to carry any such sale or lease into effect by conveying, transferring, leasing or assigning in the name of or on behalf of the Borrower or otherwise; and any such sale or lease may be made either at public auction or privately as the Receiver determines and any such sale or lease may be made from time to time as to the whole or any part or parts of the Collateral; and the Receiver may make any stipulations as to title or conveyance or commencement of title or otherwise which the Receiver deems proper; and the Receiver may buy in or rescind or vary any contract for the sale or lease of any of the Collateral or any part or parts thereof, and may resell and release without being answerable for any loss occasioned thereby; and the Receiver may sell or lease any of the same as to cash or part cash and part credit or otherwise (including by deferred payment arrangement) as appears to be most advantageous and at such prices as can be reasonably obtained therefor and in the event of a sale or lease on credit neither he nor the Lender shall be accountable or charged with any monies until actually received.

6.9 Liability of Receiver

The Receiver appointed and exercising powers under the provisions hereof will not be liable for any loss unless the loss is caused by the Receiver's own gross negligence or wilful default, and the Receiver will, when so appointed, be deemed to be the agent of the Borrower and the Borrower will be solely responsible for the Receiver's acts and defaults and for the Receiver's remuneration.

6.10 Effect of Appointment of Receiver

As soon as the Lender takes possession of any Collateral or appoints a Receiver, all powers, functions, rights and privileges of the directors and officers of the Borrower with respect to the Collateral cease, unless specifically continued by the written consent of the Lender or the Receiver.

6.11 Validity of Sale or Lease

No purchaser at any sale and no lessee under any lease purporting to be made in pursuance of the power set forth in Subsections 6.5(b) and 6.8(g) will be bound to see or inquire whether any default has been made or continues or whether any notice required hereunder has been given or as to the necessity or expediency of the stipulations subject to which sale or lease have been made or otherwise as to the propriety of such sale or lease, or regularity of proceedings or be affected by notice that such default has been made or continues or notice given as aforesaid, or that the sale or lease is otherwise unnecessary, improper or irregular; and notwithstanding any impropriety or irregularity or notice thereof to such purchaser or lessee the sale or lease as regards such purchaser or lessee will be deemed to be within the

aforesaid power and be valid accordingly and the remedy, if any, of the Borrower in respect of any impropriety or irregularity whatsoever in any such sale or lease will be in damages only.

6.12 Proceeds of Disposition

All monies received by the Lender or any Receiver will be applied as follows:

- (a) first, to pay and discharge all rents, taxes, insurance premiums and other prior charges affecting the Collateral;
- (b) second, to the costs and expenses incurred in connection with a realization against the Collateral, and the costs of sale or lease and taking possession, including the remuneration of the Receiver, if applicable;
- (c) third, to pay all amounts required to keep in good standing all liens and charges on the Collateral prior to the security interests hereby created;
- (d) fourth, to pay any principal, interest and other monies due and payable under the Loan Documents, in such order as the Lender may direct; and
- (e) finally, the balance, if any, to the Borrower.

6.13 No Set-Off

The Obligations will be paid by the Borrower without regard to any equities between the Borrower and the Lender or any right of set-off, combination of accounts or cross-claim. Any indebtedness owing by the Lender to the Borrower may be set off or applied against, or combined with, the Obligations by the Lender at any time, either before or after maturity, without demand on, or notice to, anyone.

6.14 Deficiency

If the proceeds of a sale of the Collateral by the Lender under Section 6.5 or by a Receiver under Section 6.8 are insufficient to fully pay the Obligations, the Borrower will at all times remain liable for the payment of such deficiency and will forthwith pay to the Lender the deficiency.

6.15 Waiver

The Lender may waive any breach by the Borrower of any of the provisions of this Agreement or any Event of Default, but no such waiver will extend to or affect any subsequent breach or Event of Default under this Agreement.

7. ASSIGNMENT

7.1 Assignment by Borrower

This Agreement will not be assigned by the Borrower without the prior written consent of the Lender.

7.2 Assignment by Lender

The Lender may, without notice to the Borrower, at any time assign, transfer or grant a security interest in this Agreement and the security interests hereby granted to any Person including but not limited to any other lender. The Borrower expressly agrees that the assignee, transferee or secured party, as the case

may be, will have all of the Lender's rights and remedies under this Agreement and the Borrower will not assert any defence, counterclaim, right of set-off or otherwise any claim which the Borrower now has or hereafter acquires against the Lender in any action commenced by any such assignee, transferee or secured party, as the case may be, and will pay the Obligations to the assignee, transferee or secured party, as the case may be, as the Obligations become due.

8. INSURANCE

The Borrower will keep the Collateral insured in accordance with the terms and conditions set forth in the Loan Agreement.

9. AMENDMENT

9.1 Amendments Generally

No amendment to this Agreement will be effective unless it is in writing and signed by each of the parties to this Agreement or their permitted assigns.

10. NOTICE

Any notice under this Agreement will be given in writing and will be delivered to the party to which notice is to be given at the address indicated on page 1 of this Agreement, or at another address designated by that party in writing. Notice will be deemed to have been given at the time of delivery.

11. GENERAL

11.1 No Automatic Discharge

Subject to Subsection 11.2, this Agreement will not be or be deemed to have been discharged by reason only of the Borrower and/or any other Loan Party ceasing to be indebted or under any liability, direct or indirect, absolute or contingent, to the Lender.

11.2 Discharge

If at any time there are no Obligations then in existence and neither the Borrower or any other Loan Party is in default of any of the terms of any of the Loan Documents, as applicable, then, at the request and at the expense of the Borrower and upon payment by the Borrower to the Lender of the Lender's reasonable discharge fee for discharging a security agreement, the Lender shall cancel and discharge this Agreement and the security interests herein granted and the Lender shall execute and deliver to the Borrower all such documents as are required to effect such discharge.

11.3 No Obligation to Advance

The Borrower acknowledges and agrees that none of the preparation, execution or registration of notice of this Agreement shall bind the Lender to advance the monies hereby secured.

11.4 Security Additional

The Borrower agrees that the mortgages, charges and security interests created by this Agreement are in addition to and not in substitution for any other security now or hereafter held by the Lender.

11.5 Realization

The Borrower acknowledges and agrees that the Lender may realize upon various securities securing the Obligations or any part thereof in such order as it may be advised and any part thereof in such order as it may be advised and any such realization by any means upon any security or any part thereof shall not bar realization upon any other security or the security hereby constituted or parts thereof.

11.6 No Merger

This Agreement will not operate to create any merger or discharge of any of the Obligations, or of any assignment, transfer, guarantee, lien, contract, promissory note, bill of exchange or security interest held or which may hereafter be held by the Lender from the Borrower or from any other Person whomsoever. The taking of a judgement with respect to any of the Obligations will not operate as a merger of any of the covenants contained in this Agreement.

11.7 Extensions

The Lender may grant extensions of time and other indulgences, take and give up security, accept compositions, compound, compromise, settle, grant releases and discharges, refrain from perfecting or maintaining perfection of security interests and otherwise deal with the Borrower, Account Debtors, sureties and others and with the Collateral and other security interests as the Lender may see fit without prejudice to the liability of the Borrower or the Lender's right to hold and realize on the security constituted by this Agreement.

11.8 Provisions Reasonable

The Borrower acknowledges that the provisions of this Agreement and, in particular, those respecting rights, remedies and powers of the Lender or any Receiver against the Borrower, its business and any Collateral are commercially reasonable.

11.9 Appropriation of Payments

Any and all payments made in respect of the Obligations from time to time and monies realized from any security interests held therefor (including monies collected in accordance with or realized on any enforcement of this Agreement) may be applied to such part or parts of the Obligations as the Lender may see fit and the Lender may at all times and from time to time change any appropriation as the Lender may see fit.

11.10 No Representations

The Borrower acknowledges and agrees that the Lender has made no representations or warranties other than those contained in the Loan Documents.

11.11 Use of Collateral by Borrower

Unless otherwise set forth in this Agreement, until an Event of Default occurs or is continuing, the Borrower will be entitled to possess, operate, collect, use and enjoy the Collateral in any manner not inconsistent with the terms hereof.

11.12 Disclosure of Information

The Borrower hereby consents to the Lender, in compliance or purported compliance with any statutory disclosure requirements, disclosing information about the Borrower, this Agreement, the Collateral and the Obligations to any Person the Lender believes is entitled to such information.

11.13 Statutory Waivers

To the fullest extent permitted by law, the Borrower waives all of the rights, benefits and protections given by the provision of any existing or future statute which imposes limitations upon the powers, rights or remedies of a secured party or upon the methods of realization of security, including any seize or sue or anti-deficiency statute or any similar provisions of any other statute.

11.14 Lender Separate Class of Creditor

If the Borrower makes a proposal under applicable bankruptcy or insolvency legislation, or if proceedings are commenced under the *Companies Creditors Arrangement Act* (Canada) with respect to the Borrower, the Lender shall for the purposes of voting and all other matters in relation to such proposal or proceedings be a class of creditor separate from all other creditors of the Borrower.

11.15 Copy of Agreement and Financing Statement

The Borrower acknowledges receiving a copy of this Agreement and waives all rights to receive from the Lender a copy of any financing statement, financing change statement or verification statement filed, issued, or obtained at any time in respect of this Agreement.

11.16 PPSA Shall Govern

Notwithstanding anything herein to the contrary, to the extent that the provisions of the PPSA impose obligations upon or restrict the rights or remedies of the Lender herein provided, which (i) have not been waived or varied by the Borrower herein whether expressly or by implication, or (ii) have been waived or varied herein, but are, by the provisions of the PPSA, incapable of waiver or variance by the Borrower, the provisions of the PPSA shall govern and the affected provisions hereof shall be deemed to be amended to the extent necessary to give effect to the said provisions of the PPSA without in any way affecting any other provision or provisions herein.

11.17 Entire Agreement

This Agreement and the other Loan Documents to which each is a party constitute the entire agreement between the parties with respect to the subject matter of this Agreement and there are no other collateral agreements or representations made in connection with this Agreement other than the other Loan Documents to which each is a party or as referred to herein.

11.18 Conflict

In the event of a conflict between the provisions of this Agreement and the Loan Agreement, the provisions of the Loan Agreement shall prevail.

11.19 Time

Time is of the essence of this Agreement.

12. AMALGAMATION BY BORROWER

The Borrower hereby acknowledges and agrees that, in the event it amalgamates or otherwise merges with any other corporation or corporations, it is the intention of the parties hereto that the term Borrower, when used herein, shall apply to each of the amalgamating or merging corporations and to the amalgamated or merged corporation, such that the charges and security interests granted hereby:

- (a) shall extend to Collateral owned by each of the amalgamating or merging corporations and the amalgamated or merged corporation at the time of amalgamation or merger and to any Collateral thereafter owned or acquired by the amalgamated or merged corporation;
- (b) shall secure the Obligations of each of the amalgamating or merging corporations and the amalgamated or merged corporation to the Lender at the time of amalgamation or merger and any Obligations of the amalgamated or merged corporation to the Lender arising after the amalgamation or merger; and
- (c) shall attach to Collateral owned by each corporation amalgamating or merging with the Borrower, and by the amalgamated or merged corporation, at the time of amalgamation, and shall attach to any Collateral thereafter owned or acquired by the amalgamated or merged corporation when such becomes owned or is acquired.

IN WITNESS of this Agreement, the Borrower has signed, sealed and delivered this Agreement as of the date first written above.

SOLVAQUA INC.

DocuSigned by:

Chris Tesarski

3CD3B233A61B416...

Chris Tesarski

President and Chief Executive Officer

SCHEDULE "1"

SPECIFIC COLLATERAL

**3 Pilot Systems valued @approx.
\$100,000 USD Build out \$150,000**

**1 Gen 1 System in WY valued @approx.
\$100,000 USD Build out \$200,000**

**2 Gen IV Systems in Midland, TX valued @approx
\$300,000 USD Build out \$350,000**

**1 Small Commercial Gen III System needs refurb valued @approx
\$50,000 USD Build out \$150,000**

SCHEDULE "2"

LOCATIONS OF COLLATERAL

Head Office: Suite 1050, 444 – 5th Avenue SW
Calgary, AB T2P 2T8

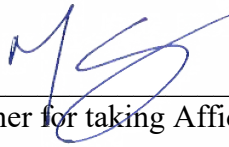
Registered and Records Office:

2205, 500 – 4th Ave. SW
Calgary, Alberta T2P 2V6

PLACES OF BUSINESS

Suite 1050, 444 – 5th Avenue SW
Calgary, AB T2P 2T8

This is Exhibit "M" referred to in the
Affidavit of Ariel S. Belilo affirmed before
me, this 15th day of August, 2022

A handwritten signature in blue ink, appearing to read 'MS', is written over a horizontal line.

A Commissioner for taking Affidavits, etc.

Michael Crampton, LSO #74512G

GENERAL SECURITY AGREEMENT

THIS AGREEMENT dated for reference the 1st day of February, 2021, is made

BETWEEN:

ARNAKI LTD., a corporation incorporated under the laws of the British Virgin Islands (hereinafter referred to as the “**Lender**”)

AND:

SOLVAQUA INC., a corporation incorporated under the laws of the Province of Alberta with its head office at Suite 300, 340 Midpark Way SE, Calgary, Alberta, Canada (hereinafter referred to as the “**Borrower**”)

WHEREAS the Lender has agreed to loan funds to the Borrower pursuant to the terms and conditions of the Loan Agreement (as hereinafter defined) and the Borrower has agreed to grant to the Lender a general security agreement to secure due payment of the loan made by the Lender and any other indebtedness and obligations of the Borrower to the Lender;

THEREFORE, for value received, the Borrower covenants and agrees with the Lender as follows:

1. INTERPRETATION

1.1 Agreement Definitions

In this Agreement, unless specifically defined herein, all terms used herein shall have the meanings specified in the Loan Agreement:

- (a) “**Account Debtor**” has the meaning assigned in Section 2.4;
- (b) “**Accounts**” has the meaning assigned in Subsection 2.1(a)(i);
- (c) “**BCA**” means the *Business Corporations Act* (Alberta) as amended from time to time;
- (d) “**Change of Control**” has the meaning specified in the Loan Agreement;
- (e) “**Collateral**” means the property described in Section 2.1;
- (f) “**Equipment**” has the meaning assigned in Subsection 2.1(a)(ii);
- (g) “**Event of Default**” means an event described in Section 6.1;
- (h) “**Inventory**” has the meaning assigned in Subsection 2.1(a)(iii);
- (i) “**Lender**” means Arnaki Ltd. and its successors and assigns;
- (j) “**Loan Agreement**” means the loan agreement between the Lender, the Borrower and any other signatories party thereto dated concurrently herewith, as may be amended, amended or restated, or supplemented from time to time;
- (k) “**Loan Documents**” has the meaning specified in the Loan Agreement;

- (l) “**Obligations**” has the meaning assigned in Section 3;
- (m) “**PPSA**” means the *Personal Property Security Act* (Alberta) and all regulations thereto, as amended from time to time;
- (n) “**Permitted Liens**” has the meaning specified in the Loan Agreement;
- (o) “**Person**” has the meaning specified in the Loan Agreement;
- (p) “**Receiver**” means a receiver or receiver and manager appointed under Section 6.8;
- (q) “**Securities**” has the meaning ascribed thereto in Subsection 2.1(d);
- (r) “**Security**” has the meaning specified in the Loan Agreement; and
- (s) “**Subsidiaries**” and “**Subsidiary**” has the meaning specified in the Loan Agreement.

1.2 PPSA Definitions

Unless a different meaning is assigned in this Agreement, the following terms have the meanings assigned in the PPSA: accessions, accounts, chattel paper, consumer goods, documents of title, equipment, goods, instruments, intangibles, inventory, investment property, licences, money, proceeds and security.

1.3 Governing Law

This Agreement is governed by the laws of the Province of Alberta and the parties attorn to the non-exclusive jurisdiction of the courts of Alberta for the resolution of all disputes under this Agreement.

1.4 Severability

If any one or more of the provisions contained in this Agreement is found to be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein will not in any way be affected or impaired thereby.

1.5 Parties In Interest

This Agreement enures to the benefit of and is binding on the parties to this Agreement and their respective successors and permitted assigns.

1.6 Headings and Marginal References

The division of this Agreement into sections, subsections, paragraphs and subparagraphs and the insertion of headings is for convenience of reference only and does not affect the construction or interpretation of this Agreement.

1.7 Currency

All dollar amounts in this Agreement are stated in lawful currency of Canada or as otherwise stated pursuant to the terms of the Loan Agreement.

1.8 Accounting Principles

Unless otherwise specified in this Agreement, all accounting terminology and calculations shall be made in accordance with Canadian generally accepted accounting principles, consistently applied.

2. SECURITY INTEREST

2.1 Security Interest

As security for the payment and performance of the Obligations of the Borrower, the Borrower:

- (a) mortgages, charges, assigns and transfers to the Lender, and grants to the Lender a continuing security interest in, and the Lender takes the security interest in, all of the Borrower's present and after acquired personal property and all proceeds thereof (except the property of the Borrower described in Section 2.2) of every nature and kind and wherever situate, including, without limitation:
 - (i) all debts, accounts, claims, monies and choses in action which now are, or which may at any time hereafter be due or owing to the Borrower or in which the Borrower acquires rights, and all books, records, documents, papers and electronically recorded data recording, evidencing, securing or otherwise relating to such debts, accounts, claims, monies and choses in action or any part or parts thereof (collectively, the "**Accounts**");
 - (ii) all present and future equipment now or hereafter owned by the Borrower or in which the Borrower acquires rights, including all machinery, electronic equipment, fixtures, plants, tools, furniture, vehicles of any kind or description, all spare parts, accessions or accessories located at or installed in or affixed or attached to any of the foregoing, and all drawings, specifications, plans and manuals relating thereto and any other goods that are not Inventory (collectively, the "**Equipment**");
 - (iii) all present and future inventory of whatever kind now or hereafter owned by the Borrower or in which the Borrower acquires rights, including all raw materials, materials used or consumed in the business or profession of the Borrower, goods, work in progress, finished goods, returned goods, repossessed goods, goods used for packing, all packaging materials, supplies and containers, materials used in the business of the Borrower, whether or not intended for sale and goods acquired or held for sale, lease or resale or furnished or to be furnished under contracts of rental or service (collectively, the "**Inventory**");
 - (iv) all chattel paper, documents of title, instruments, securities, investment property and money now or hereafter owned by the Borrower or in which the Borrower acquires rights;
 - (v) all intangible property of the Borrower (save and except for Accounts) now or hereafter owned by the Borrower, including, without limitation, all contractual rights, licences, goodwill, patents, trademarks, tradenames, copyrights, other industrial designs and other industrial or intellectual property and undertaking of the Borrower and all other choses in action of the Borrower of every kind which now are, or which may at any time hereafter be, due or owing to or owned by the

- Borrower or in which the Borrower acquires rights and all other intangible property of the Borrower which is not Accounts, goods, chattel paper, documents of title, instruments, money, investment property or securities; and
- (vi) all the property of the Borrower described in Schedule “1”, if any.
- (b) charges as and by way of a floating charge to and in favour of the Lender, and grants to the Lender a security interest in and to:
- (i) all of the Borrower's right, title and interest in and to all its presently owned or held and after acquired or held real, immovable and leasehold property and all interests therein, and all easements, rights-of-way, privileges, benefits, licences, improvements and rights whether connected therewith or appurtenant thereto or separately owned or held, including all structures, plant and other fixtures; and
 - (ii) all property, assets and undertakings of the Borrower, both present and future, of whatsoever nature or kind and wheresoever situate, and all proceeds thereof, other than such of the property, assets and undertakings of the Borrower as are otherwise validly and effectively subject to the charges and security interests in favour of the Lender created pursuant to Subsection 2.1(a) or (c) hereof or are excluded pursuant to Section 2.2 hereof;
- (c) mortgages and charges as and by way of a fixed and specific charge to and in favour of the Lender, and assigns and transfers to the Lender and grants to the Lender, by way of mortgage, charge, assignment and transfer, a security interest in all of the right, title and interest, both present and future of the Borrower, in and to all of its presently owned or held and after acquired or held property which:
- (i) is or hereafter becomes a fixture; or
 - (ii) constitutes a licence, quota, permit or other similar right or benefit or crops; and
- (d) pledges and hypothecates to the Lender and grants to the Lender a security interest in: all of the investment property owned by the Borrower from time to time in the capital of each of the Subsidiaries; all dividends or distributions declared or made at any time in respect of any of the investment property owned by the Borrower in the capital of any Subsidiary; all options, warrants or rights issued to or acquired at any time by the Borrower and all proceeds from the above described property; (collectively the “**Securities**”), as general and continuing collateral security for the payment, satisfaction or performance of the Obligations. In accordance with the pledge and assignment of the Securities hereunder, upon request from the Lender, the Borrower will deliver or cause to be delivered contemporaneously with the execution and delivery of this Agreement, certificates representing the Securities, attached to powers of attorney and forms of transfer, duly executed in blank. The Borrower hereby appoints the Lender as an irrevocable attorney of the Borrower with full power of substitution from time to time to endorse and/or transfer any of the Securities and to exercise all rights and powers of the Borrower in respect of the Securities and the Lender and its nominees are hereby empowered to exercise all rights and powers and to perform all acts of ownership in respect of the Securities to the same extent as the Borrower might do; provided, however, that such appointment will only be effective upon the occurrence of an Event of Default and so long as such Event of Default is subsisting. This appointment is coupled with an

interest and will not be revoked by the insolvency, bankruptcy, reorganization, arrangement, composition, dissolution, liquidation, winding-up or similar proceeding involving or affecting the Borrower or for any other reason.

Until the occurrence of an Event of Default, the Borrower will be entitled to exercise the voting rights under the Securities and, for that purpose, the Lender will execute and deliver to the Borrower all necessary proxies and such other documentation as may reasonably be required. Upon the occurrence of an Event of Default which is continuing, whether or not the Securities have been registered in the name of the Lender or its nominee, the Lender or its nominee will have the right to exercise all voting rights with respect to the Securities and will have all other corporate rights and all conversion, exchange, subscription or other rights, privileges, or options pertaining thereto as if it were the absolute owner thereof including, without limitation, the right to exchange any or all of the Securities upon the merger, consolidation, reorganization, recapitalization or other readjustment of the Subsidiaries, or upon the exercise by the defaulting Borrower of any right, privilege or option pertaining to any of the Securities, and, in connection therewith, to deliver any of the Securities to any depository, transfer agent, registrar or other designated agency upon such terms and conditions as it may determine, all without liability except to account for property actually received by it; but neither the Lender nor its nominee will have any duty to exercise any of the aforesaid rights, privileges or options and will not be responsible for any failure to do so or delay in so doing. Any cash dividends or distributions in respect of the Securities that are made payable and received by the Borrower at any time will be received in trust for the Lender and paid forthwith to the Lender to be applied in payment or satisfaction of the Obligations in such order as the Lender may deem fit and any excess so received after the payment and satisfaction in full of the obligations shall be paid over to the Borrower.

The property of the Borrower described in Subsections (a), (b) (c) and (d) above is collectively referred to in this Agreement as “**Collateral**”.

2.2 Exclusions

The security interests granted herein do not apply or extend to:

- (a) the last day of any term created by any lease, oral or written, or agreement therefor now held or later acquired by the Borrower but the Borrower will stand possessed of the reversion thereby remaining in the Borrower of any leasehold premises in trust for the Lender to assign and dispose of as the Lender or any purchaser of such leasehold premises directs;
- (b) if any lease or other agreement contains a provision which provides in effect that such lease or agreement may not be assigned, subleased, charged or encumbered without the leave, licence, consent or approval of the lessor, the Borrower shall immediately advise the Lender in writing and shall take all steps necessary to obtain such approval or consent, and the application of the security interest created hereby to any such lease or agreement is conditional upon such leave, licence, consent or approval having been obtained and the security interest created hereby will attach to such lease or agreement as soon as such leave, licence, consent or approval is obtained; or
- (c) any consumer goods of the Borrower.

2.3 Attachment

The Borrower acknowledges conclusively that the Borrower and the Lender intend the charges and security interests on the Collateral to attach immediately upon the execution of this Agreement, and in the case of Collateral in which the Borrower subsequently acquires rights contemporaneously with the Borrower acquiring rights therein. The Borrower acknowledges conclusively that value has been given.

2.4 Notification

After the occurrence of an Event of Default which is continuing, the Lender may notify any debtor of the Borrower on an intangible, chattel paper or Account, or any obligor on an instrument (an “**Account Debtor**”) to make all payments on Collateral to the Lender and the Borrower acknowledges that the proceeds of all sales, or any payments on or other proceeds of the Collateral, including, but not limited to, payments on, or other proceeds of, the Collateral received by the Borrower from any Account Debtor, whether before or after notification to such Account Debtor and whether before or after default under this Agreement shall, subject to the rights of holders of prior ranking interests in such proceeds, be received and held by the Borrower in trust for the Lender and shall be turned over to the Lender upon request and the Borrower shall not commingle any proceeds of or payments on the Collateral, with any of the Borrower's funds or property, but will hold them separate and apart.

2.5 Purchase Money Security Interests

The security interests created hereby shall constitute purchase money security interests to the extent that any of the Obligations are monies advanced by the Lender to the Borrower for the purpose of enabling the Borrower to purchase or acquire rights in any of the Collateral and were so used by the Borrower and a certificate of an officer of the Lender as to the extent that the Obligations are monies so advanced and used shall be *prima facie* proof of the purchase money security interests constituted hereby.

3. OBLIGATIONS

The charges and security interests created by this Agreement secure the due and punctual payment of all indebtedness, liabilities and obligations, present or future, direct or indirect, absolute or contingent, extended or reviewed, matured or not, of the Borrower to the Lender, including without limitation, under or in any way connected with, arising out of or contemplated by the Loan Documents or otherwise, and all costs of realization, legal or other costs, charges and expenses from time to time owing by the Borrower to the Lender (the “**Obligations**”).

4. REPRESENTATIONS AND WARRANTIES OF THE BORROWER

4.1 Representations and Warranties

The Borrower represents and warrants to the Lender that:

- (a) the Borrower owns and possesses all Collateral held at present and has good title thereto, free from all security interests, charges, encumbrances, liens and claims, save only those in respect of the Permitted Liens;
- (b) the Borrower has the right and authority to create the security interests created in this Agreement;

- (c) the only locations of Collateral (other than Inventory in transit) and the only places the Borrower carries on business or proposes to carry on business are described in **Schedule “2”**;
- (d) at the date of this Agreement, there is no Event of Default and no circumstance which, with the giving of notice or lapse of time would become an Event of Default;
- (e) the Borrower's chief executive office is at the location specified in **Schedule “2”**; and
- (f) all of the “serial numbered goods” (as defined in the Regulations to the PPSA), other than inventory to be sold or leased in which the Borrower has rights, are described in **Schedule “1”**.

4.2 Reliance and Survival

All representations and warranties of the Borrower made herein or in any other Loan Document delivered by or on behalf of the Borrower for the benefit of the Lender are material, will survive the execution and delivery of this Agreement and will continue in full force and effect without time limit. The Lender shall be deemed to have relied upon each such representation and warranty notwithstanding any investigation made by or on behalf of the Lender at any time.

5. BORROWER'S COVENANTS

5.1 Positive Covenants

The Borrower covenants and agrees with the Lender that, during the term of this Agreement, it will:

- (a) execute and deliver all such documents and pay such fees and taxes and take such other actions as may be necessary to attach, continue, preserve, perfect and protect the security interests created in this Agreement, and the Borrower irrevocably appoints the Lender as its attorney-in-fact to execute, deliver, file and record any such documents for the Lender and in its name and stead;
- (b) keep the Collateral in all material respects in a good state of repair, working order and operating condition in accordance with its nature and description (reasonable wear and tear excepted);
- (c) defend the Collateral against all claims and demands of all Persons claiming the Collateral or interest in the Collateral;
- (d) on reasonable notice to the Borrower, permit the Lender to inspect the Collateral at any time the office at which the Collateral is located is open for business;
- (e) provide the Lender with written notice of its intention to move any material amount of the Collateral to another location, before the Collateral is moved, except when the Collateral is moved in the ordinary course of the Borrower's business;
- (f) upon demand by the Lender, furnish in writing to the Lender all information reasonably requested concerning the Collateral and that it will promptly advise the Lender of the serial number, year, make and model of each serial numbered good, other than inventory

to be sold or leased, as determined by the Borrower, acting reasonably, at any time included in the Collateral;

- (g) pay and reimburse the Lender for all reasonable costs, charges and expenses of and incidental to the taking, preparation, execution and registering notice (and any amendments and renewals of such notice) of this Agreement and in taking, recovering, keeping possession of or inspecting the Collateral and generally in any other proceedings taken in administering this Agreement or enforcing the remedies in this Agreement or otherwise in relation to this Agreement or by reason of non-payment or procuring payment of the monies hereby secured (including the reasonable compensation and the disbursements of Lender's counsel and all other advisers and assistants not regularly in their employ), both before any Event of Default occurs and thereafter until all Obligations of the Borrower are fully satisfied;
- (h) if the Collateral of the Borrower at any time includes Securities, the Borrower shall, if required by the Lender, transfer the Securities into the name of the Lender or the Lender's nominee and, so long as no Event of Default has occurred and is continuing, the Lender will provide the Borrower with all notices and other communications received by it or its nominee as registered owner of such Securities and will appoint, or cause its nominee to appoint, the Borrower as proxy to vote with respect to the Securities;
- (i) if the Lender advances money to the Borrower for the purpose of enabling the Borrower to purchase or acquire rights in any Collateral, the Borrower shall use such money only for that purpose and will promptly provide the Lender with evidence that such money was so applied upon the Lender's request;
- (j) if and whenever the Borrower is able or entitled to obtain a renewal or extension of any lease, license, concession, easement, right-of-way, servitude, franchise, permit or right, from time to time duly renew or extend the same if in the opinion of the majority of the directors of the Borrower, that it is advantageous to the Borrower to do so;
- (k) notify the Lender promptly of:
 - (i) any change in the information contained herein relating to the Borrower, its address, its business or the Collateral;
 - (ii) the details of any material acquisition of Collateral;
 - (iii) any material loss or damage to the Collateral;
 - (iv) any material default by any Account Debtor in payment or other performance of its obligations to the Borrower with respect to any Accounts; and
 - (v) the return to or repossession by the Borrower of the Collateral where such return or repossession of the Collateral is material in relation to the business of the Borrower;
- (l) promptly notify the Lender if the Borrower's chief executive office is moved; and
- (m) operate its business in a proper and efficient manner as to preserve and protect the Collateral and the earnings and profits of the business.

5.2 Negative Covenants

The Borrower covenants and agrees with the Lender that, during the term of this Agreement, it will not, without the prior written consent of the Lender:

- (a) except in the ordinary course of business, permit the Collateral to become subject to any mortgage, charge, encumbrance or security interest other than Permitted Liens;
- (b) sell, lease or otherwise dispose of the Collateral or any part or parts of the Collateral, except as permitted by Section 5.3;
- (c) remove the Collateral or permit any assets to be removed from the locations listed in Schedule "2" unless such removal is in the ordinary course of business and for the purposes of carrying on such business or is otherwise permitted herein; or
- (d) except in the ordinary course of business, release, surrender or abandon the Collateral or any part or parts thereof.

5.3 Sale of Collateral

Until an Event of Default has occurred and is continuing and the Lender has determined to enforce the security interests hereby created, the Borrower may sell or lease the Collateral only in the ordinary course of business on commercially reasonable terms and in compliance with the terms of the Loan Agreement.

5.4 Performance by Lender

If the Borrower defaults in the performance of any covenant hereunder, the Lender may perform any covenant of the Borrower capable of being performed by the Lender and if the Lender is put to any costs, charges, expenses or outlays to perform any such covenant, the Borrower will indemnify the Lender for such costs, charges, expenses or outlays and such costs, charges expenses or outlays (including solicitors' fees and charges incurred by the Lender) will be payable forthwith by the Borrower to the Lender, shall bear interest at the highest rate borne by any of the other Obligations and shall, together with such interest, form part of the Obligations secured by this Agreement. All references in this Agreement to solicitors' fees and charges shall be deemed to mean and include fees and charges on a solicitor and client basis.

5.5 Costs of Enforcement

In any judicial proceedings taken to cancel this Agreement or to enforce this Agreement and the covenants of the Borrower hereunder, the Lender shall be entitled to costs on a "special costs" basis. Any costs so recovered shall be credited against any solicitors' fees and charges paid or incurred by the Lender relating to the matters in respect of which the costs were awarded and which have been added to the monies secured hereunder.

6. DEFAULT AND ENFORCEMENT

6.1 Events of Default

An Event of Default under the Loan Agreement or under any of the other Loan Documents will constitute an event of default under this Agreement (an "**Event of Default**").

6.2 Acceleration

If an Event of Default occurs, the entire unpaid balance of the Obligations may be accelerated and become immediately due and payable at the option of the Lender.

6.3 Security Interests Enforceable

The occurrence of an Event of Default which is continuing will cause the security interests created by this Agreement to become enforceable without the need for any action or notice on the part of the Lender and the Lender will be entitled to exercise such rights and remedies as are provided by the PPSA and all other rights and remedies recognized at law or in equity against the Borrower or in respect of the Collateral for the enforcement of full payment and performance of the Obligations.

6.4 Crystallization

Any floating charge created by this Agreement shall crystallize and become a fixed charge upon:

- (a) the Borrower becoming insolvent or bankrupt or making an assignment or proposal under the applicable bankruptcy or insolvency legislation in favour of its creditors;
- (b) a bankruptcy petition being filed or presented against the Borrower;
- (c) a receiver, receiver-manager, trustee, custodian, liquidator or similar agent being appointed for the Borrower or for any material part of the Borrower's property or assets;
- (d) the Borrower failing to pay the Obligations when due; or
- (e) the Lender, while an Event of Default is continuing, notifying the Borrower in writing that the floating charge created by this Agreement has crystallized and become a fixed charge.

6.5 Remedies of Lender

If the security interests created by this Agreement become enforceable then, in addition to any rights and remedies the Lender has under the other Loan Documents, the Lender may enforce its rights by any one or more of the following remedies:

- (a) by taking possession of the Collateral or any part of it and collecting demanding, suing, enforcing, recovering, receiving and getting in the Collateral;
- (b) by selling or leasing the Collateral, whether or not it has taken possession of it;
- (c) by proceedings in any court of competent jurisdiction for the appointment of a receiver or receiver-manager of all or any part of the Collateral;
- (d) by proceedings in any court of competent jurisdiction for the sale or foreclosure of all or any part of the Collateral;
- (e) by filing of proofs of claim and other documents to establish its claim in any proceeding or proceedings relating to the Borrower;

- (f) by appointment by instrument in writing of a receiver or receiver-manager of all or any part of the Collateral;
- (g) by retaining any of the Collateral in satisfaction of all or part of the Obligations; or
- (h) by any other remedy or proceeding authorized or permitted by this Agreement or by law or equity.

6.6 Power of Sale

The provisions of Subsection 6.8(g) will apply, *mutatis mutandis*, to a sale or lease of any of the Collateral by the Lender pursuant to Subsection 6.5(b).

6.7 Power of Attorney

The Borrower hereby grants the Lender an irrevocable power of attorney exercisable any time after the security interests hereby created have become enforceable, to execute all such documents, agreements and assignments and to take whatever steps are necessary, in the opinion of the Lender and its legal counsel, acting reasonably, to transfer and assign all property and assets of the Borrower into the name of the Lender, including but not limited to the assignment of all intangibles and intellectual property owned by the Borrower.

6.8 Receiver or Receiver-Manager

Any time after the security interests hereby created have become enforceable, the Lender may, from time to time, appoint in writing any qualified person (including an officer or employee of a Lender) to be a receiver or receiver-manager (the “**Receiver**”) of the Collateral and may likewise remove any such person so appointed and appoint another qualified person in his stead. Any such Receiver appointed hereunder shall have the following powers:

- (a) to take possession of the Collateral or any part thereof, and to collect and get in the same and for that purpose to enter into and upon any lands, tenements, buildings, houses and premises wheresoever and whatsoever and to do any act and take any proceedings in the name of the Borrower, or otherwise, as the Receiver deems necessary;
- (b) to carry on or concur in carrying on the business of the Borrower (including, without limitation, the payment of the obligations of the Borrower whether or not they are due and the cancellation or amendment of any contracts between the Borrower or any other Person) and the employment and discharge of such agents, managers, clerks, accountants, employees, contractors, agents, workers and others upon such terms and with such salaries, wages or remuneration as the Receiver thinks proper;
- (c) to repair and keep in repair the Collateral or any part or parts thereof and to do all necessary acts and things for the protection of the Collateral;
- (d) to make any arrangement or compromise which he thinks expedient in the interest of the Lender or the Borrower and to assent to any modification or change in or omission from the provisions of this Agreement;

- (e) to exchange any part or parts of the Collateral for any other property suitable for the purposes of the Borrower upon such terms as may seem expedient and either with or without payment or exchange of money or equality of exchange or otherwise;
- (f) to raise on the security of the Collateral or any part or parts thereof, by mortgage, charge or otherwise any sum of money required for the repair, insurance or protection thereof, or any other purposes herein mentioned, or as may be required to pay off or discharge any lien, charge or encumbrance upon the Collateral or any part thereof, which would or might have priority over the security interests hereby created; and
- (g) whether or not the Receiver has taken possession, to sell or lease or concur in the sale or leasing of any of the Collateral or any part or parts thereof after giving the Borrower not less than 20 days' prior written notice of his intention to sell or lease and to carry any such sale or lease into effect by conveying, transferring, leasing or assigning in the name of or on behalf of the Borrower or otherwise; and any such sale or lease may be made either at public auction or privately as the Receiver determines and any such sale or lease may be made from time to time as to the whole or any part or parts of the Collateral; and the Receiver may make any stipulations as to title or conveyance or commencement of title or otherwise which the Receiver deems proper; and the Receiver may buy in or rescind or vary any contract for the sale or lease of any of the Collateral or any part or parts thereof, and may resell and release without being answerable for any loss occasioned thereby; and the Receiver may sell or lease any of the same as to cash or part cash and part credit or otherwise (including by deferred payment arrangement) as appears to be most advantageous and at such prices as can be reasonably obtained therefor and in the event of a sale or lease on credit neither he nor the Lender shall be accountable or charged with any monies until actually received.

6.9 Liability of Receiver

The Receiver appointed and exercising powers under the provisions hereof will not be liable for any loss unless the loss is caused by the Receiver's own gross negligence or wilful default, and the Receiver will, when so appointed, be deemed to be the agent of the Borrower and the Borrower will be solely responsible for the Receiver's acts and defaults and for the Receiver's remuneration.

6.10 Effect of Appointment of Receiver

As soon as the Lender takes possession of any Collateral or appoints a Receiver, all powers, functions, rights and privileges of the directors and officers of the Borrower with respect to the Collateral cease, unless specifically continued by the written consent of the Lender or the Receiver.

6.11 Validity of Sale or Lease

No purchaser at any sale and no lessee under any lease purporting to be made in pursuance of the power set forth in Subsections 6.5(b) and 6.8(g) will be bound to see or inquire whether any default has been made or continues or whether any notice required hereunder has been given or as to the necessity or expediency of the stipulations subject to which sale or lease have been made or otherwise as to the propriety of such sale or lease, or regularity of proceedings or be affected by notice that such default has been made or continues or notice given as aforesaid, or that the sale or lease is otherwise unnecessary, improper or irregular; and notwithstanding any impropriety or irregularity or notice thereof to such purchaser or lessee the sale or lease as regards such purchaser or lessee will be deemed to be within the

aforesaid power and be valid accordingly and the remedy, if any, of the Borrower in respect of any impropriety or irregularity whatsoever in any such sale or lease will be in damages only.

6.12 Proceeds of Disposition

All monies received by the Lender or any Receiver will be applied as follows:

- (a) first, to pay and discharge all rents, taxes, insurance premiums and other prior charges affecting the Collateral;
- (b) second, to the costs and expenses incurred in connection with a realization against the Collateral, and the costs of sale or lease and taking possession, including the remuneration of the Receiver, if applicable;
- (c) third, to pay all amounts required to keep in good standing all liens and charges on the Collateral prior to the security interests hereby created;
- (d) fourth, to pay any principal, interest and other monies due and payable under the Loan Documents, in such order as the Lender may direct; and
- (e) finally, the balance, if any, to the Borrower.

6.13 No Set-Off

The Obligations will be paid by the Borrower without regard to any equities between the Borrower and the Lender or any right of set-off, combination of accounts or cross-claim. Any indebtedness owing by the Lender to the Borrower may be set off or applied against, or combined with, the Obligations by the Lender at any time, either before or after maturity, without demand on, or notice to, anyone.

6.14 Deficiency

If the proceeds of a sale of the Collateral by the Lender under Section 6.5 or by a Receiver under Section 6.8 are insufficient to fully pay the Obligations, the Borrower will at all times remain liable for the payment of such deficiency and will forthwith pay to the Lender the deficiency.

6.15 Waiver

The Lender may waive any breach by the Borrower of any of the provisions of this Agreement or any Event of Default, but no such waiver will extend to or affect any subsequent breach or Event of Default under this Agreement.

7. ASSIGNMENT

7.1 Assignment by Borrower

This Agreement will not be assigned by the Borrower without the prior written consent of the Lender.

7.2 Assignment by Lender

The Lender may, without notice to the Borrower, at any time assign, transfer or grant a security interest in this Agreement and the security interests hereby granted to any Person including but not limited to any other lender. The Borrower expressly agrees that the assignee, transferee or secured party, as the case

may be, will have all of the Lender's rights and remedies under this Agreement and the Borrower will not assert any defence, counterclaim, right of set-off or otherwise any claim which the Borrower now has or hereafter acquires against the Lender in any action commenced by any such assignee, transferee or secured party, as the case may be, and will pay the Obligations to the assignee, transferee or secured party, as the case may be, as the Obligations become due.

8. INSURANCE

The Borrower will keep the Collateral insured in accordance with the terms and conditions set forth in the Loan Agreement.

9. AMENDMENT

9.1 Amendments Generally

No amendment to this Agreement will be effective unless it is in writing and signed by each of the parties to this Agreement or their permitted assigns.

10. NOTICE

Any notice under this Agreement will be given in writing and will be delivered to the party to which notice is to be given at the address indicated on page 1 of this Agreement, or at another address designated by that party in writing. Notice will be deemed to have been given at the time of delivery.

11. GENERAL

11.1 No Automatic Discharge

Subject to Subsection 11.2, this Agreement will not be or be deemed to have been discharged by reason only of the Borrower and/or any other Loan Party ceasing to be indebted or under any liability, direct or indirect, absolute or contingent, to the Lender.

11.2 Discharge

If at any time there are no Obligations then in existence and neither the Borrower or any other Loan Party is in default of any of the terms of any of the Loan Documents, as applicable, then, at the request and at the expense of the Borrower and upon payment by the Borrower to the Lender of the Lender's reasonable discharge fee for discharging a security agreement, the Lender shall cancel and discharge this Agreement and the security interests herein granted and the Lender shall execute and deliver to the Borrower all such documents as are required to effect such discharge.

11.3 No Obligation to Advance

The Borrower acknowledges and agrees that none of the preparation, execution or registration of notice of this Agreement shall bind the Lender to advance the monies hereby secured.

11.4 Security Additional

The Borrower agrees that the mortgages, charges and security interests created by this Agreement are in addition to and not in substitution for any other security now or hereafter held by the Lender.

11.5 Realization

The Borrower acknowledges and agrees that the Lender may realize upon various securities securing the Obligations or any part thereof in such order as it may be advised and any part thereof in such order as it may be advised and any such realization by any means upon any security or any part thereof shall not bar realization upon any other security or the security hereby constituted or parts thereof.

11.6 No Merger

This Agreement will not operate to create any merger or discharge of any of the Obligations, or of any assignment, transfer, guarantee, lien, contract, promissory note, bill of exchange or security interest held or which may hereafter be held by the Lender from the Borrower or from any other Person whomsoever. The taking of a judgement with respect to any of the Obligations will not operate as a merger of any of the covenants contained in this Agreement.

11.7 Extensions

The Lender may grant extensions of time and other indulgences, take and give up security, accept compositions, compound, compromise, settle, grant releases and discharges, refrain from perfecting or maintaining perfection of security interests and otherwise deal with the Borrower, Account Debtors, sureties and others and with the Collateral and other security interests as the Lender may see fit without prejudice to the liability of the Borrower or the Lender's right to hold and realize on the security constituted by this Agreement.

11.8 Provisions Reasonable

The Borrower acknowledges that the provisions of this Agreement and, in particular, those respecting rights, remedies and powers of the Lender or any Receiver against the Borrower, its business and any Collateral are commercially reasonable.

11.9 Appropriation of Payments

Any and all payments made in respect of the Obligations from time to time and monies realized from any security interests held therefor (including monies collected in accordance with or realized on any enforcement of this Agreement) may be applied to such part or parts of the Obligations as the Lender may see fit and the Lender may at all times and from time to time change any appropriation as the Lender may see fit.

11.10 No Representations

The Borrower acknowledges and agrees that the Lender has made no representations or warranties other than those contained in the Loan Documents.

11.11 Use of Collateral by Borrower

Unless otherwise set forth in this Agreement, until an Event of Default occurs or is continuing, the Borrower will be entitled to possess, operate, collect, use and enjoy the Collateral in any manner not inconsistent with the terms hereof.

11.12 Disclosure of Information

The Borrower hereby consents to the Lender, in compliance or purported compliance with any statutory disclosure requirements, disclosing information about the Borrower, this Agreement, the Collateral and the Obligations to any Person the Lender believes is entitled to such information.

11.13 Statutory Waivers

To the fullest extent permitted by law, the Borrower waives all of the rights, benefits and protections given by the provision of any existing or future statute which imposes limitations upon the powers, rights or remedies of a secured party or upon the methods of realization of security, including any seize or sue or anti-deficiency statute or any similar provisions of any other statute.

11.14 Lender Separate Class of Creditor

If the Borrower makes a proposal under applicable bankruptcy or insolvency legislation, or if proceedings are commenced under the *Companies Creditors Arrangement Act* (Canada) with respect to the Borrower, the Lender shall for the purposes of voting and all other matters in relation to such proposal or proceedings be a class of creditor separate from all other creditors of the Borrower.

11.15 Copy of Agreement and Financing Statement

The Borrower acknowledges receiving a copy of this Agreement and waives all rights to receive from the Lender a copy of any financing statement, financing change statement or verification statement filed, issued, or obtained at any time in respect of this Agreement.

11.16 PPSA Shall Govern

Notwithstanding anything herein to the contrary, to the extent that the provisions of the PPSA impose obligations upon or restrict the rights or remedies of the Lender herein provided, which (i) have not been waived or varied by the Borrower herein whether expressly or by implication, or (ii) have been waived or varied herein, but are, by the provisions of the PPSA, incapable of waiver or variance by the Borrower, the provisions of the PPSA shall govern and the affected provisions hereof shall be deemed to be amended to the extent necessary to give effect to the said provisions of the PPSA without in any way affecting any other provision or provisions herein.

11.17 Entire Agreement

This Agreement and the other Loan Documents to which each is a party constitute the entire agreement between the parties with respect to the subject matter of this Agreement and there are no other collateral agreements or representations made in connection with this Agreement other than the other Loan Documents to which each is a party or as referred to herein.

11.18 Conflict

In the event of a conflict between the provisions of this Agreement and the Loan Agreement, the provisions of the Loan Agreement shall prevail.

11.19 Time

Time is of the essence of this Agreement.

12. AMALGAMATION BY BORROWER

The Borrower hereby acknowledges and agrees that, in the event it amalgamates or otherwise merges with any other corporation or corporations, it is the intention of the parties hereto that the term Borrower, when used herein, shall apply to each of the amalgamating or merging corporations and to the amalgamated or merged corporation, such that the charges and security interests granted hereby:

- (a) shall extend to Collateral owned by each of the amalgamating or merging corporations and the amalgamated or merged corporation at the time of amalgamation or merger and to any Collateral thereafter owned or acquired by the amalgamated or merged corporation;
- (b) shall secure the Obligations of each of the amalgamating or merging corporations and the amalgamated or merged corporation to the Lender at the time of amalgamation or merger and any Obligations of the amalgamated or merged corporation to the Lender arising after the amalgamation or merger; and
- (c) shall attach to Collateral owned by each corporation amalgamating or merging with the Borrower, and by the amalgamated or merged corporation, at the time of amalgamation, and shall attach to any Collateral thereafter owned or acquired by the amalgamated or merged corporation when such becomes owned or is acquired.

IN WITNESS of this Agreement, the Borrower has signed, sealed and delivered this Agreement as of the date first written above.

SOLVAQUA INC.

DocuSigned by:

Chris Tesarski

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Chris Tesarski

President and Chief Executive Officer

SCHEDULE "1"

SPECIFIC COLLATERAL

**3 Pilot Systems valued @approx.
\$100,000 USD Build out \$150,000**

**1 Gen 1 System in WY valued @approx.
\$100,000 USD Build out \$200,000**

**2 Gen IV Systems in Midland, TX valued @approx
\$300,000 USD Build out \$350,000**

**1 Small Commercial Gen III System needs refurb valued @approx
\$50,000 USD Build out \$150,000**

**2 Micro Commercial Desalination Systems needs refurb valued @approx
\$500,000 USD Build out \$1,000,000**

SCHEDULE "2"

LOCATIONS OF COLLATERAL

Head Office: Suite 300, 340 Midpark Way SE
Calgary, AB T2X 1P1

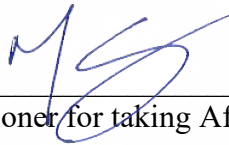
Registered and Records Office:

DLA PIPER
Suite 1000, 250 – 2nd St SW
Calgary, AB T2P 0C1

PLACES OF BUSINESS

Suite 300, 340 Midpark Way SE
Calgary, AB T2X 1P1

This is Exhibit "N" referred to in the
Affidavit of Ariel S. Belilo affirmed before
me, this 15th day of August, 2022

A handwritten signature in blue ink, appearing to be 'MC', written over a horizontal line.

A Commissioner for taking Affidavits, etc.

Michael Crampton, LSO #74512G

Search ID #: Z15153621

Transmitting Party

TINGLE MERRETT LLP.

1250 639 5 AVE SW
CALGARY, AB T2P 0M9Party Code: 50076439
Phone #: 403 571 8000
Reference #: 8883.006 SMR

Search ID #: Z15153621

Date of Search: 2022-Jun-27

Time of Search: 13:01:10

Business Debtor Search For:

SOLVAQUA INC.

Exact Result(s) Only Found

NOTE:

A complete Search may result in a Report of Exact and Inexact Matches.
Be sure to read the reports carefully.



Search ID #: Z15153621

Business Debtor Search For:

SOLVAQUA INC.

Search ID #: Z15153621

Date of Search: 2022-Jun-27

Time of Search: 13:01:10

Registration Number: 20091025542

Registration Type: SECURITY AGREEMENT

Registration Date: 2020-Sep-10

Registration Status: Current

Expiry Date: 2025-Sep-10 23:59:59

Exact Match on: Debtor No: 1

Debtor(s)**Block****Status**

1 SOLVAQUA INC.
SUITE 1050, 444 - 5TH AVENUE SW.
CALGARY, AB T2P 2T8

Current

Secured Party / Parties**Block****Status**

1 ARNAKI LTD.
3076 SIR FRANCIS DRAKE HIGHWAY
ROAD TOWN TORTOLA, XX VG1110
Email: pzogala@murchinsonltd.com

Current

Collateral: General**Block****Description****Status**

1 All present and after-acquired accounts, chattel paper, instruments, securities, money, documents of title, and intangibles of SOLVAQUA Inc. due, payable, or delivered to, for or with the debtor, together with all advantage and benefit to be derived therefrom and all of the debtor's right, title and interest in any security agreements or interests held in respect of the same.

Current

Proceeds: all proceeds of every nature and kind, both present and future, including without limitation all accounts, intangibles, money, goods, chattel paper, investment property, instruments, documents of title, trade-ins, indemnification or compensation for any collateral lost, destroyed, damaged or lawfully or unlawfully taken or injuriously affected, and any other property or obligations received when the original collateral or proceeds thereof are sold, dealt with, exchanged, collected, damaged, destroyed or otherwise dealt with.

Search ID #: Z15153621

Particulars

<u>Block</u>	<u>Additional Information</u>	<u>Status</u>
1	FULL ADDRESS FOR ARNAKI LTD. IS ELLEN SKELTON BUILDING, 3076 SIR FRANCIS DRAKE HIGHWAY, ROAD REEF, PO BOX 765, ROAD TOWN, TORTOLA VG1110, BRITISH VIRGIN ISLANDS.	Current

Search ID #: Z15153621

Business Debtor Search For:

SOLVAQUA INC.

Search ID #: Z15153621

Date of Search: 2022-Jun-27

Time of Search: 13:01:10

Registration Number: 20091025589

Registration Type: LAND CHARGE

Registration Date: 2020-Sep-10

Registration Status: Current

Registration Term: Infinity

Exact Match on:

Debtor

No: 1

Debtor(s)**Block****Status**

1 SOLVAQUA INC.
SUITE 1050, 444 - 5TH AVENUE SW,
CALGARY, AB T2P 2T8

Current

Secured Party / Parties**Block****Status**

1 ARNAKI LTD.
3076 SIR FRANCIS DRAKE HIGHWAY
ROAD TOWN TORTOLA, XX VG1110
Email: pzogala@murchinsonltd.com

Current

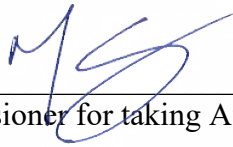
Particulars**Block****Additional Information****Status**

1 FULL ADDRESS FOR ARNAKI LTD. IS ELLEN SKELTON BUILDING, 3076 SIR
FRANCIS DRAKE HIGHWAY, ROAD REEF, PO BOX 765, ROAD TOWN, TORTOLA,
VG1110. BRITISH VIRGIN ISLANDS.

Current

Result Complete

This is Exhibit "O" referred to in the
Affidavit of Ariel S. Belilo affirmed before
me, this 15th day of August, 2022

A handwritten signature in blue ink, appearing to be 'MC', is written over a horizontal line.

A Commissioner for taking Affidavits, etc.

Michael Crampton, LSO #74512G

EXTENSION AGREEMENT

DATED for reference this 1st day of April, 2021.

BETWEEN:

ARNAKI LTD.

A corporation having offices in the
British Virgin Islands
(hereinafter referred to as the “Lender”)

- and -

SOLVAQUA INC.

a body corporate having its head office
in the City of Calgary, in the Province of Alberta
(hereinafter referred to as the “Corporation”)

WHEREAS:

- A. Pursuant to a Loan Agreement dated August 31, 2020 (the “Loan Agreement”) the Lender agreed to provide a loan to the Corporation in the principal amount of USD\$2,000,000.00 (the “**Loan**”);
- B. The Lender holds valid first charge security upon all the property, assets and undertaking of the Corporation as security for the Loan, including but not limited to a General Security Agreement dated August 31, 2020 (the “**GSA**”);
- C. The Corporation is in default of certain obligations to the Lender;
- D. The Corporation remains, as of April 1, 2021, indebted to the Lender in the principal amount of USD\$2,000,000.00 pursuant to the Loan (not including accrued but unpaid Interest);
- E. The Lender is prepared to extend the time for repayment of the Facilities and to grant forbearance until May 1, 2021 subject to the terms and conditions set forth herein;

NOW THEREFORE IN CONSIDERATION of the mutual covenants and agreements hereinafter contained, which consideration the parties hereby acknowledge is good and sufficient, the parties agree and acknowledge as follows:

1. Interpretation. In this Agreement:
 - (a) “Indebtedness” means any and all present and future obligations and indebtedness now or hereafter owing by the Corporation to the Lender howsoever arising, whether direct or indirect, absolute or contingent, including without limitation any and all amounts owing pursuant to the terms of the Loan Agreement, the Security and this Extension Agreement.
 - (b) “Security” includes the GSA, as well as any and all other Security Documents.
 - (c) All initially capitalized terms used but not otherwise defined herein shall have the meanings

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ascribed thereto in the Loan Agreement.

- (d) Headings are inserted for reference only and shall not affect the interpretation of the terms of this Agreement.

2. Acknowledgements. The Corporation hereby acknowledges that:

- (a) the recitals hereto are true and accurate and form part hereof.
- (b) it is indebted to the Lender for the principal amount advanced by the Lender to the Corporation under the Loan outstanding as of the date hereof in the principal amount of USD\$2,000,000.00 and all interest accrued thereon to the date hereof, together with all costs and other charges now owing by the Corporation to the Lender as set forth in the Loan Agreement;
- (c) it shall, by the execution hereof, become obligated to pay the Lender the extension fee described in subsection 5(a) below, which fee has been earned by the Lender by virtue of its agreement to extend the Facilities as provided herein;
- (d) it shall continue to be bound by all covenants and conditions set forth in the Loan Agreement, except as amended by this Extension Agreement, until such time as the Indebtedness has been paid in full to the Lender;
- (e) the Lender has preserved all of its rights and remedies under the Loan Agreement and the Security; and
- (f) the Security is valid, subsisting and enforceable in accordance with its terms, and the fixed and floating charges reserved to the Lender therein are duly registered, recorded and perfected in such public registries as set forth in Schedule "A" attached hereto, and the Security shall continue unamended and in full force and effect and shall extend to all debts, liabilities, and obligations owed by the Corporation to the Lender however arising, including, without limitation, the Indebtedness.

3. Extension and Forbearance. Subject to terms and conditions contained in this Agreement, the Lender shall extend the time for repayment of the Indebtedness and forbear in taking any steps to realize upon its Security until May 1, 2021 (the "Payment Date"), at which time all Indebtedness shall automatically become due and payable by the Corporation to the Lender.

4. Extension Fee. In consideration of the Lender's agreement to extend the Maturity Date to May 1, 2021, the Corporation shall pay to the Lender an extension fee of USD\$200,000.00, due and payable on May 1, 2021.

5. Default Prior to Demand. Notwithstanding any other provision contained herein, the Indebtedness is and shall remain payable on demand by the Corporation to the Lender and the Lender expressly reserves the right to demand payment of all Indebtedness and to take steps to realize upon its Security or protect its position if:

- (a) the Corporation defaults in paying to the Lender all Indebtedness on or before the Maturity Date;

- (b) the Corporation defaults in paying to the Lender when due any extension fee or any other amount required to be paid to the Lender as provided in this Extension Agreement;
- (c) the Corporation defaults in the observance or performance of any obligation or covenant contained in this Extension Agreement, or the Corporation otherwise breaches any of the provisions hereof;
- (d) any property of the Corporation is seized or taken in execution by or on behalf of any third party, or any funds of the Corporation are subject to attachment or garnishment proceedings;
- (e) a receiver, interim receiver, monitor, or trustee in bankruptcy is appointed in respect of the Corporation, or the Corporation shall make an assignment in bankruptcy, be petitioned into bankruptcy, file a proposal or a notice of intention to file a proposal under the *Bankruptcy and Insolvency Act* the (“BIA”), the *Companies Creditors Arrangement Act* (“CCAA”) or such similar legislation;
- (f) any charge, lien, or claim arising after the date of this Extension Agreement in any amount greater than \$25,000.00 and ranking in priority to the claims of the Lender pursuant to the Security shall exist, be allowed to continue to exist, or be created;
- (g) the Corporation shall cease or threaten to cease conducting active operations;
- (h) any judgment against the Corporation in an amount exceeding \$25,000.00 shall be entered;
- (i) the Corporation commits a breach of any term, condition or covenant contained herein or in any other agreement to which the Lender and the Corporation are parties, including but not limited to the Loan Agreement or any Security now or hereafter held by the Lender in respect of the Indebtedness;
- (j) the Lender becomes aware of any facts or circumstances that cause it to believe, acting reasonably, that the prospect for payment of the Indebtedness or any part thereof, or its prospect for realizing under any of its Security, is or is about to be placed in jeopardy; or
- (k) any event occurs which in the opinion of the Lender, acting reasonably, materially impairs its Security or the value of the assets against which the Lender holds Security or there shall be, in the opinion of the Lender, acting reasonably, a material adverse change in the financial circumstances of the Corporation;

then in any such event (each of which being hereinafter individually referred to as an “event of default”) any portion of the extension fee described in subsection 5(a) then remaining unpaid shall become immediately due and payable, and the Lender shall be entitled to immediately proceed with a demand for payment of the Indebtedness and the enforcement of its Security, and to otherwise exercise the rights reserved to the Lender under this Extension Agreement.

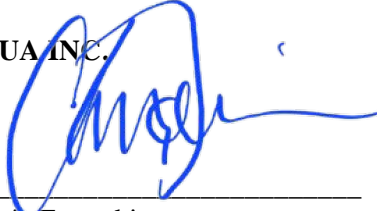
6. Insolvency Proceedings. In the event the Corporation chooses to file proceedings under the BIA or the CCAA or such proceedings are filed in respect of the Corporation by a third party:
- (a) the terms of this Extension Agreement shall remain binding and the Lender shall be unaffected by any stay or initial or other order in such proceedings;

- (b) the Lender shall in any event be an unaffected creditor in any plan or proposal unless the Lender consents in writing to be treated otherwise;
 - (c) the Corporation hereby irrevocably consents to a variation of any stay or order in such proceedings that is inconsistent with the foregoing;
 - (d) the Corporation agrees that it will not make or support any application that would have the effect of creating any charge ranking in priority to the Security of the Lender or that would alter or vary the rights of the Lender under the terms of this Extension Agreement.
7. Release of Lender. In consideration of the Lender agreeing to forbear and extend the Indebtedness as setout in this Agreement, the Corporation on its behalf and on behalf of its successors and assigns, does hereby remise, release and forever discharge the Lender and its employees, agents, officers, directors, successors and assigns from any and all actions, causes of actions, claims, damages, demands, costs and expenses whatsoever at law or in equity which they ever had, now has or which they shall or may have against the Lender or its employees, agents, officers, directors, successors and assigns by reason of any matter, cause or thing whatsoever existing up to the date hereof.
8. Lender's Ongoing Obligations. All of the obligations of the Lender, express or implied, pursuant to all previous agreements, restructuring arrangements, offers to finance and loan agreements with the Corporation are waived insofar as such obligations conflict with the terms of this Extension Agreement, and in particular, it is acknowledged by the Corporation that, subject to the express terms hereof, any obligation by the Lender to advance further loans to the Corporation has been or is hereby terminated.
9. Waiver/Amendment. Any modification or waiver of any provision of this Extension Agreement, or any document or instrument provided thereunder, or any consent to the departure therefrom by the parties hereto shall not be effective in any event unless the same is in writing and signed by the parties hereto, and then such modification, waiver or consent shall be effective only in a specific instance and for the specific purpose given.
10. Further Assurances. The Corporation shall from time to time after the execution and delivery of this Extension Agreement, upon the request of the Lender, execute and deliver such further documents and do such other acts and things as the Lender may reasonably request in order to effect fully the purposes of this Extension Agreement.
11. Liability for Costs. The Corporation shall be responsible for all legal and other costs incurred by the Lender in connection with the Loan to the Corporation, including the costs and expenses incurred in the preparation of this Extension Agreement or the Security and any registration, modification or perfection thereof, which fees and costs shall, to the extent not paid by the Corporation, be added to and become part of the Indebtedness and be secured by the Security.
12. Time. Time is of the essence with respect to this Agreement.
13. Payments. Any payment by the Corporation to the Lender as may be contemplated or required herein shall be made in accordance with the terms of the Loan Agreement and any operating account agreement currently in force between the Corporation and the Lender.

14. Entire Agreement. This Extension Agreement and the Loan Agreement as amended herein represents the entire agreement between the parties from and after the effective date hereof, regarding the matters contained herein, and any changes or variations made to hereto are only effective if made in writing and signed by all parties.

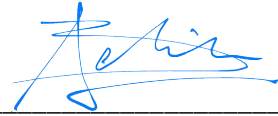
IN WITNESS WHEREOF the undersigned have caused these presents to be executed under the hands of their duly authorized officers as of the date first above written.

SOLVAQUA INC.



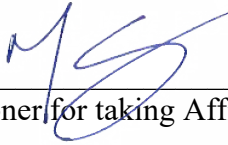
Per: _____
Name: Chris Tesarski
Title: President

ARNAKI LTD.



Per: _____ (c/s)
ARIEL BELILO
Director

This is Exhibit "P" referred to in the
Affidavit of Ariel S. Belilo affirmed before
me, this 15th day of August, 2022

A handwritten signature in blue ink, appearing to read 'MS', is written over a horizontal line.

A Commissioner for taking Affidavits, etc.

Michael Crampton, LSO #74512G

Michael Crampton
Direct: 416-644-9979
Email: mcrampton@cpllp.com

July 27, 2022

VIA Courier

Solvaqua Inc.
Suite 1050, 444 - 5th Avenue SW
Calgary, Alberta T2T 2T8

Dear Sir or Madam:

Re: Arnaki Ltd. and Solvaqua Inc. - Notice of Intention to Enforce Security

We are counsel for Arnaki Ltd. (“**Arnaki**”).

We understand that:

- (i) On or about August 31, 2020, Arnaki agreed to advance Solvaqua Inc. (“**Solvaqua**”) the sum of two million United States dollars (USD\$2,000,000) (the “**First Tranche**”). As security for the First Tranche, Solvaqua granted a security interest to Arnaki by way of a General Security Agreement dated August 31, 2020. Following Solvaqua’s default under the loan terms of the First Tranche, Solvaqua agreed to pay Arnaki a two hundred thousand United States dollar (USD\$200,000) extension fee.
- (ii) On or about January 4, 2021, Arnaki agreed to advance Solvaqua the further sum of two million United States dollars (USD\$2,000,000) (the “**Second Tranche**”). As security for the Second Tranche, Solvaqua granted a security interest to Arnaki by way of a General Security Agreement dated January 4, 2021. Following Solvaqua’s default under the loan terms of the Second Tranche, Solvaqua agreed to pay Arnaki a two hundred twenty-five thousand United States dollar (USD\$225,000) extension fee.
- (iii) On or about February 1, 2021, Arnaki agreed to advance Solvaqua the further sum of two million United States dollars (USD\$2,000,000) (the “**Third Tranche**”). As security for the Third Tranche, Solvaqua granted a security interest to Arnaki by way of a General Security Agreement dated February 1, 2021. Following Solvaqua’s default under the loan terms of

the Third Tranche, Solvaqua agreed to pay Arnaki at two hundred twenty-five thousand United States dollar (USD\$225,000) extension fee.

We further understand that pursuant to the assignment of insurance proceeds recovered from Export Development Canada, Arnaki was repaid USD\$1,386,000 from the First Tranche.

The outstanding amounts under the First Tranche, Second Tranche, Third Tranche and related extensions, including interest, total to **USD\$6,052,288.63** (the “**Indebtedness**”).

Arnaki hereby demands payment of the Indebtedness by close of business on **August 7, 2022**. Payment should be made by wire transfer to Murchinson Ltd.

In the event that Solvaqua does not remit the required funds by August 7, 2022, Arnaki will take steps to enforce its security under the above noted General Security Agreements. In that regard, please find enclosed a Notice of Intention to Enforce Security pursuant to s. 244(1) of the *Bankruptcy and Insolvency Act*.

In addition, Arnaki reserves its rights to commence legal proceedings against Solvaqua without further notice. If required to commence legal proceedings against Solvaqua, Arnaki will claim additional amounts for prejudgment interest, penalties and legal costs.

Please govern yourselves accordingly.

Yours very truly,

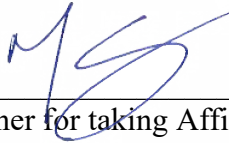
Chitiz Pathak LLP

Per:



Michael Crampton
MC/

This is Exhibit "Q" referred to in the
Affidavit of Ariel S. Belilo affirmed before
me, this 15th day of August, 2022

A handwritten signature in blue ink, appearing to read 'MS', is positioned above a horizontal line.

A Commissioner for taking Affidavits, etc.

Michael Crampton, LSO #74512G

FORM 86

Notice of Intention to Enforce a Security

(Rule 124)

TO: **Solvaqua Inc.**, an insolvent person

Take notice that:

1. **Arnaki Ltd.**, a secured creditor, intends to enforce its security on the insolvent person's property described below:

All present and future undertaking, assets and property of Solvaqua Inc. as more particularly described in (i) general security agreement dated August 31, 2020, made between Arnaki Ltd. and Solvaqua Inc., (ii) the general security agreement dated January 4, 2021 made between Arnaki Ltd. and Solvaqua Inc., and (iii) the general security agreement dated February 1, 2021 made between Arnaki Ltd. and Solvaqua Inc.

2. The security that is to be enforced is in the form of the general security agreements referred to in section 1 herein.

3. The total amount of indebtedness secured by the security is \$6,052,288.63.

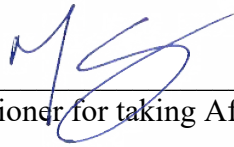
4. The secured creditor will not have the right to enforce the security until after expiry of the 10-day period after this notice is sent unless the insolvent person consents to an earlier enforcement.

Dated at Gibraltar, this 25th day of July, 2022.

Arnaki Ltd.

Name: Ariel S. Belilo
Title: Director

This is Exhibit "R" referred to in the
Affidavit of Ariel S. Belilo affirmed before
me, this 15th day of August, 2022

A handwritten signature in blue ink, appearing to be 'MS', written over a horizontal line.

A Commissioner for taking Affidavits, etc.

Michael Crampton, LSO #74512G

Michael Crampton

From: Don McLeod <dmcleod@solvaqua.com>
Sent: Thursday, August 04, 2022 4:36 PM
To: Joshua Fenttiman
Cc: Michael Crampton; Elliot Birnboim; Paul Zogala
Subject: Re: Notice to Enforce Security

[External Sender]

Hi Josh, I confirm receipt of this email and attached document. I will inform the other SolvaQUA creditors about this step you are taking. I have also let Chris Tesarski know as well.

Just so you know, I am ending my contract relationship with SolvaQUA this week so will no longer be involved in this process or be able to provide any support going forward.

All the best to you,

Don
DON MCLEOD // MANAGING CONSULTANT



Phone: 403.680.2628
300, 340 Midpark Way SE Calgary, AB T2X 1P1
www.solvaqua.com
Providing solutions for water sustainability problems

On Aug 3, 2022, at 2:12 PM, Joshua Fenttiman <jfenttiman@murchinsonltd.com> wrote:

Don,

Our lawyers have been attempting to deliver the attached document on Solvaquau at the address on our security documents. Those attempts were unsuccessful, so a copy has now been sent to DLA Piper, who are listed as Solvaqua's agent for service in Alberta. Given the difficulties in getting a physical copy to you, I am sending this to you electronically as well to ensure there is no further confusion. Could you please confirm receipt?

Best,

Josh

Joshua Fenttiman | Murchinson

T: +1.416.845.0666 | **M:** +1.647.619.1824

145 Adelaide Street West, Suite 400, Toronto, ON M5H 4E5

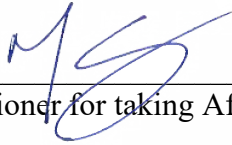
E: jfenttiman@murchinsonltd.com

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Past performance is not an indication of future results. Unless specified otherwise, performance data presented reflects stated strategy returns in USD and is net of all fees and expenses. Actual returns may vary from one investor to the next due to timing of cash flows into and out of the Fund. Unless specified otherwise, returns for time periods of more than one year are historical annualized compounded total returns while returns for time periods of one year or less are cumulative figures and are not annualized. The performance results are those of the Class A Initial Series of the Fund and represent unaudited, time-weighted rates of return and do not include the performance of any side-pockets formed by the Fund.

<Solvaqua Ltr Jul 27.22 re Enforce security (00591922xDC266).PDF>

This is Exhibit "S" referred to in the
Affidavit of Ariel S. Belilo affirmed before
me, this 15th day of August, 2022

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A Commissioner for taking Affidavits, etc.

Michael Crampton, LSO #74512G

Michael Crampton

From: Schindelka, Dana <dana.schindelka@dlapiper.com>
Sent: Wednesday, August 03, 2022 5:38 PM
To: Michael Crampton; Cal-CorporateServices
Cc: Elliot Birnboim; Gamracy, Amy
Subject: RE: [EXTERNAL] Re Solvaqua Inc.

[External Sender]

I confirm receipt of the email below. We no longer act as agent for Solvaqua Inc.

Dana Schindelka

Partner

T +1 403.698.8705
F +1 403.213.4468
E dana.schindelka@dlapiper.com



DLA Piper (Canada) LLP
Suite 1000, Livingston Place West
250 2nd St SW
Calgary AB T2P 0C1
Canada
www.dlapiper.com

From: Michael Crampton <MCrampton@cpllp.com>
Sent: Wednesday, August 03, 2022 10:30 AM
To: Cal-CorporateServices <corporateservices.calgary@ca.dlapiper.com>; Schindelka, Dana <dana.schindelka@ca.dlapiper.com>
Cc: Elliot Birnboim <EBirnboim@cpllp.com>
Subject: [EXTERNAL] Re Solvaqua Inc.

DLA Piper (Canada) LLP ALERT: This is an external email. Do not click links or open attachments unless you recognize the sender's email address and know the content is safe.

Mr. Schindelka:

We have been attempting to have the enclosed letter and Notice delivered to Solvaqua Inc. (the "Company") at the address indicated on our client's security documents and on the Company's website. Those attempts have been unsuccessful.

Per a current corporate search, we are advised that you act as agent for service for the Company. A physical copy of the documents is being couriered to your office. We would ask that you confirm receipt of this email and that you continue that you act as agent for the Company.

Regards,
Michael Crampton



Michael Crampton
Phone: 416.644.9979
Fax: 416.368.0300
mcrampton@cpllp.com

77 King Street West, TD North Tower
Suite 700, P.O. Box 118
Toronto ON M5K 1G8
cpllp.com

If you have received this e-mail in error or are not the named recipient, please immediately notify the sender and delete or destroy all electronic or hard copies of this e-mail. This e-mail is intended only for the receipt and use of the named recipient(s). It may contain information that is privileged, confidential or protected from disclosure under applicable law.