

Court File No. CV-20-00634195-00CL

**ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)**

BETWEEN:

ORIONIS CORPORATION

Applicant

- and -

ONTARIO GRAPHITE, LTD.

Respondent

NOTICE OF MATERIAL ADVERSE CHANGE

DATED APRIL 21, 2020

INTRODUCTION

1. On February 12, 2020, Orionis Corporation (“**Orionis**”), as secured creditor, brought an application pursuant to the *Companies’ Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended, (the “**CCAA**”) in respect of Ontario Graphite, Ltd. (“**OGL**”) for the purpose of commencing a court-supervised sale and investment solicitation process in respect of OGL’s assets, undertakings, and properties, real and personal (collectively, the “**Assets**”). That same day, the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) issued an initial order (the “**Initial Order**”) pursuant to the CCAA in respect of OGL (the proceedings commenced thereby, the “**CCAA Proceeding**”).
2. Pursuant to the Initial Order:
 - (a) Deloitte Restructuring Inc. was appointed as monitor (the “**Monitor**”) of OGL;
 - (b) OGL was granted a stay of proceedings through February 22, 2020 (the “**Initial Stay Period**”);
 - (c) OGL’s directors and officers were granted a charge in the amount of CAD\$200,000;
 - (d) the Monitor, its counsel, counsel to Orionis and counsel to OGL were granted an administration charge in respect of their fees and expenses in the amount of CAD\$200,000; and
 - (e) the Court approved the CCAA Debtor-In-Possession Financing Term Sheet dated February 10, 2020, between OGL and Orionis (the “**DIP Term Sheet**”) pursuant to which OGL was authorized to borrow funds under a debtor-in-possession credit facility (the “**DIP Facility**”), subject to the terms and conditions thereof. The

quantum of approved borrowings under the DIP Facility was limited by the Initial Order to CAD\$200,000.

Attached as appendix “A” hereto is a copy of the DIP Term Sheet.

3. On February 20, 2020 (the “**Comeback Date**”), the Court granted an Order that, among other things:
 - (a) extended the Initial Stay Period to April 29, 2020; and
 - (b) increased the authorized borrowings under the DIP Facility to USD\$2.75 million.
4. Absent the DIP Facility or other third-party financing, OGL has no sources of cash flow or liquidity to pay for any obligations that it incurred during the CCAA Proceeding.
5. On the Comeback Date, the Court also approved a sale and investor solicitation procedure (the “**SISP**”). Phase 1 of the SISP required that non-binding indications of interest be submitted to the Monitor by 5:00 p.m. on April 15, 2020 (the “**Phase 1 Bid Deadline**”). The Monitor has administered the SISP in accordance with its terms.
6. After the receipt of Phase 1 bids, as required pursuant to section 4.3 of the SISP, the Monitor provided Orionis with a summary of the bids received by the Phase 1 Bid Deadline shortly after such deadline.
7. Orionis has given the Monitor and OGL notice that following its review of the information provided by the Monitor regarding the Phase 1 bids, Orionis is of the view that (i) none of the Phase 1 bids are compliant with the requirements set forth in the SISP, in particular Section 4.2(1) thereof, (ii) there is no reasonable prospect that a sale of the Assets, satisfactory to Orionis, will be completed through the SISP, and (iii) the prospect of payment of the Obligations (as defined in the DIP Term Sheet) is impaired.

8. As such, Orionis provided written notice (the “**Lender Notice**”) to the Monitor and OGL that Orionis determined that an event of default under section 15(n) of the DIP Term Sheet occurred and, accordingly, the Obligations became due and payable in accordance with section 8(c) of the DIP Term Sheet. The Lender Notice also served as Orionis’s notice to terminate the DIP Facility pursuant to section 9 of the DIP Term Sheet and in accordance with the Amended and Restated Initial Order made in the CCAA Proceeding on February 20, 2020. Sections 8, 9 and 15(n) of the DIP Term Sheet are reproduced below in part (all capitalized terms as defined in the DIP Facility):

Section 8 (Repayment): *“Unless otherwise agreed in writing by the Debtor and the Lender, the Obligations shall be due and payable on demand and, if not demanded, shall be repaid to the Lender as follows: [...] (c) in full, (i) on the expiry of the Initial Term (as defined below), subject to any Extended Term (as defined below), [...] or (v) after the occurrence of an Event of Default (as defined below). [...]”*

Section 9 (Term): *“[...] the Lender may terminate the DIP Facility at any time following the occurrence of an Event of Default (as defined below) at which point the Initial Term shall be deemed to have expired. The Initial Term shall also be deemed to have expired if at any time the Lender, acting reasonably, determines that there is no reasonable prospect that a sale of the Assets, satisfactory to the Lender, will be identified or completed through the SISP.”*

Section 15 (Events of Default): *“(n) the Lender in good faith believes the prospect of payment of the Obligations or the performance of the*

Debtor's other obligations hereunder or under any of the security granted in connection herewith is impaired or that any of the Assets are or are about to be placed in jeopardy."

Attached as Appendix "B" is a copy of the Notice of Event of Default and Termination of DIP Facility dated April 17, 2020 delivered by Orionis.

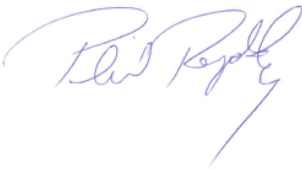
9. As a result of the termination of the DIP Facility, OGL will not be able to continue its operations during the CCAA Proceeding. The Monitor is of the view that the termination of the DIP Facility constitutes a material adverse change for the following reasons:
- (a) The termination has a significant adverse effect on OGL's projected cash flow;
 - (b) The termination significantly impairs OGL's ability to carry on operations;
 - (c) The termination significantly impairs the likelihood of OGL proposing any plan of arrangement that would be acceptable to OGL's creditors; and
 - (d) The termination prejudices OGL's post-filing creditors as there is no source of liquidity to pay for any of these obligations.

Dated at Toronto, Ontario the 21st day of April, 2020.

Deloitte Restructuring Inc.

Solely in its capacity as court appointed Monitor of Ontario Graphite, Ltd. and not in its personal capacity

Per:



Philip J. Reynolds, LIT
Senior Vice-President

Appendix "A"

DIP Term Sheet

CCAA DEBTOR-IN-POSSESSION FINANCING TERM SHEET

Dated as of February 10, 2020

WHEREAS Orionis Corporation (the “**Lender**”) and Ontario Graphite, Ltd. (the “**Debtor**”) are parties to secured notes dated January 19, 2016, July 19, 2017, and March 20, 2019 (collectively, and as each may have been amended, supplemented, or otherwise modified, the “**Secured Notes**”), demand debentures dated January 19, 2016, July 19, 2017, March 20, 2019, and March 20, 2019 securing the obligations owing to Lender under the Secured Notes (collectively, and as each may have been amended, supplemented, or otherwise modified, the “**Demand Debentures**”) and related agreements and instruments (collectively, the “**Loan Documents**”) pursuant to which the Lender has, on a secured basis, provided funding to the Debtor in an amount in excess of US\$15 million (the “**Secured Note Debt**”);

AND WHEREAS the Lender has made demand on the Debtor for the Secured Note Debt, and the Debtor has failed to repay such obligations, which remain outstanding as at the date of this term sheet;

AND WHEREAS the Lender intends to bring an application pursuant to the *Companies’ Creditors Arrangement Act*, RSC 1985, c C-36 (the “**CCAA**”) before the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) on February 12, 2020 (the “**Filing Date**”) in respect of the Debtor for the purpose of commencing a sale and investment solicitation process (a “**SISP**”) in respect of the Debtor’s assets, undertakings and properties, real and personal, (the “**Assets**”) in form presented by the Lender to the Debtor;

AND WHEREAS Deloitte Restructuring Inc. has consented to act as monitor (in such capacity, the “**Monitor**”) in the foregoing CCAA proceedings (the “**CCAA Proceedings**”) and to conduct the SISP;

AND WHEREAS the Lender has agreed to fund certain costs and obligations that may be incurred by the Debtor (directly or indirectly by the Monitor on behalf of the Debtor) in relation to the CCAA Proceedings and the SISP subject to, and in accordance with, the terms set out herein (such funding facility, the “**DIP Facility**”);

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

1. **DIP FACILITY:** The DIP Facility will be a secured super-priority debtor-in-possession non-revolving term multi-draw credit facility up to the Maximum Advance Amount (as defined below), and will be available to the Debtor until the expiry of the Initial Term or, if applicable, any Extended Term (each as defined below), subject to and upon the terms and conditions set out in this CCAA Debtor-In-Possession Financing Term Sheet (the “**Term Sheet**”).
2. **PURPOSE OF THE DIP FACILITY:** To fund the costs of the CCAA Proceedings, including, without limitation:

- (a) the fees and disbursements of the Monitor and its legal counsel in connection with the exercise of the powers and duties conferred upon the Monitor by the Initial Order of the Court (as may be amended from time to time, the “**Initial Order**”) and any other Order of the Court in the CCAA Proceedings, including conduct of the SISP;
- (b) the cost associated with the maintenance, preservation and safeguarding of the Assets, including working capital for site operations and general and administrative expenses;
- (c) paying or remitting employee wages, employee vacation pay, employee expenses, employee disbursements, and source deductions; and
- (d) funding the Interim Plan (as defined in, and attached as Appendix D to, the Minutes of Settlement among Tom Burkett, Ellerton Castor, Derek Hirsch, the Debtor, and the Ministry of Environment, Conservation and Parks, as approved by the Ontario Environmental Review Tribunal in a decision dated October 28, 2019, as such Minutes of Settlement were subsequently amended),

all in accordance with this Term Sheet and the budget appended hereto as Schedule “A” (as may be amended, modified or supplemented from time to time by agreement of the Lender and the Debtor, in consultation with the Monitor, the “**Budget**”).

3. AVAILABILITY:

The DIP Facility may be drawn down by the Debtor:

- (a) subject to satisfaction or waiver of the Immediate Funding Condition (as defined below), in an amount not to exceed \$200,000 (the “**Immediate Funding**”),
- (b) subject to satisfaction or waiver of the remaining Conditions Precedent (as defined below), in accordance with the Budget and as otherwise agreed with the Lender,

with advances to be made at times and in amounts determined by the Lender (each, an “**Advance**”).

Prior to the making of any Advance, the Debtor shall submit a written request (an “**Advance Request**”), which may be submitted by email. Subject to the terms hereof, upon receipt of an Advance Request, the Lender (or its designee) may, in its

sole discretion, provide the requested Advance to the Debtor by wire transfer to an account stipulated by the Debtor.

The parties intend that any Advance is to be made prior to the time that liability for the anticipated costs and expenses are to be incurred by the Debtor in accordance with the Budget, and the Debtor will use best efforts to provide reasonable advance notice of any Advance Request and to not incur any obligation to any party unless and until the Debtor is in receipt of sufficient funds to satisfy such obligation in full.

- 4. MAXIMUM ADVANCE AMOUNT:** Notwithstanding any provision to the contrary herein, the Lender shall not be obliged to fund any Advances which, in the aggregate, would exceed \$2,750,000 (the “**Maximum Advance Amount**”), unless the Lender otherwise agrees.
- 5. PERMITTED VARIANCE:** The expenditures set out in the Budget may not be exceeded without the consent of the Lender, other than a variance in the actual expenditures from the Filing Date against forecasted expenditures for such period of up to 10% on a cumulative basis, measured monthly in the last full week of each month as set out in the Budget (the “**Cumulative Permitted Variance Threshold**”).
- 6. INTEREST:** Interest shall accrue on all Advances from the date that each Advance is made on the outstanding balance of such Advance at an annual interest rate of 15% per annum.

All interest shall be computed on the basis of a year of 365 days for the actual number of days (including the first day but excluding the last day) elapsed and shall be calculated and compounded monthly on the first day of the month.

All indebtedness, interest, fees, and other obligations to the Lender under and pursuant to this Term Sheet, including under any other agreements, instruments, charges, or other documents delivered in connection herewith, as well as any costs and expenses (including legal fees) incurred by the Lender in connection with any enforcement of the terms hereof, shall be “**Obligations**” hereunder.

If any provision of this Term Sheet or any ancillary document in connection with this Term Sheet would obligate the Debtor to make any payment of interest or other amount payable to the Lender in an amount or calculated at a rate which would be prohibited by law or would result in a receipt by the Lender of interest at a criminal rate (as such terms are construed under the *Criminal Code* (Canada)) then, notwithstanding such provision, such amount or rate shall be deemed to have been adjusted with

retroactive effect to the maximum amount or rate of interest, as the case may be, as would not be so prohibited by law or so result in a receipt by the Lender of interest at a criminal rate and any such amounts actually paid by the Debtor in excess of the adjusted amount shall be forthwith refunded to the Debtor.

Upon the occurrence of an Event of Default, the interest rate on the amounts outstanding hereunder, including, without limitation, the DIP Facility, shall be the lesser of (i) 25% per annum, and (ii) the highest rate permitted by applicable law per annum.

7. SECURITY:

All Obligations shall be secured by a super-priority Court-ordered charge and claim on all of the present and after-acquired Assets of the Debtor (the “**DIP Lender’s Charge**”), such DIP Lender’s Charge to be granted by way of the Initial Order.

The DIP Lender’s Charge shall be in priority to all liens, security interests, claims, encumbrances, mortgages, or charges, whether statutory or otherwise, on the Assets, but subordinate only to a charge that may be granted in favour of the Monitor and its counsel, counsel to the Debtor, and counsel to the Lender for their professional fees and disbursements incurred in connection with the CCAA Proceedings, at their standard rates and charges, in an amount not to exceed \$200,000 (the “**Administration Charge**”).

The DIP Lender’s Charge shall be effective without the need for any further documentation or filings, including in any personal property security registration regime or real property system.

Without limiting the foregoing, as security for the payment and performance of the Obligations, the Debtor hereby grants, assigns, transfers, sets over, mortgages, charges, and pledges to the Lender, and hereby creates a general and continuing security interest in favour of the Lender in and to all of the Debtor’s right, title and interest in and to all present and after-acquired property, assets and undertaking of the Debtor of every kind and nature whatsoever, wherever located, whether now existing or hereafter from time to time arising or acquired, including, but not limited to:

- (a) all real and immoveable property, both freehold and leasehold, surface and/or subsurface, as the case may be, and any other interests and rights in any real or immoveable property, including such property situate at that certain mining property commonly referred to as the Obligor's Kearney mine in Kearney, Ontario,

(b) all rights, mining rights, mining claims (whether patented or unpatented), mining leases (including the leasehold or other interest created pursuant to any such mining lease, including without limitation the leasehold and unpatented mining claims,

(c) accounts, equipment, fixtures, goods, intangibles, intellectual property, documents of title, chattel paper, securities, investment property, money, rights to the payment of money, motor vehicles, and

(d) all proceeds of the foregoing, including insurance proceeds or other compensation for loss,

but excluding consumer goods (as defined in the Ontario *Personal Property Security Act*) and the last day of the term of any lease or agreement to lease held by the Debtor now or in the future. The parties have not agreed to postpone the time for attachment of any security interest in this Term Sheet.

8. REPAYMENT:

Unless otherwise agreed in writing by the Debtor and the Lender, the Obligations shall be due and payable on demand and, if not demanded, shall be repaid to the Lender as follows:

- (a) upon the sale or other disposition of any Assets, repayment of 100% of the net cash proceeds of such sale or disposition;
- (b) insurance proceeds in respect of any of the collateral secured by the DIP Lender's Charge;
- (c) in full,
 - i. on the expiry of the Initial Term (as defined below), subject to any Extended Term (as defined below),
 - ii. on the date on which the stay under the Initial Order (as may be extended) is lifted or set aside, in whole or in part, without the prior written consent of the Lender,
 - iii. at the termination of the CCAA Proceedings,
 - iv. on the date on which any of the following occurs: (I) an assignment into bankruptcy is made by the Debtor or an assignment in bankruptcy is made by a Debtor under the *Bankruptcy and Insolvency Act* (Canada) (the "BIA"); (II) a

bankruptcy order is issued in respect of a Debtor pursuant to the BIA; (III) a notice of intention to make a proposal under the BIA is filed by or on behalf of a Debtor; (IV) a receiver or receiver and manager is appointed by any court of competent jurisdiction in respect of a Debtor or any of its assets, undertakings or properties, in each case without the prior written consent of the Lender, or

- v. after the occurrence of an Event of Default (as defined below).

All payments received by the Lender shall be applied: (i) first, to any fees due hereunder; (ii) second, to accrued and unpaid interest; (iii) third, after all fees and interest are brought current, to repay any principal amounts outstanding in respect of the DIP Facility.

9. TERM:

Subject to the terms and conditions hereof, the DIP Facility will be available to the Debtor for a period of 29 weeks ending on August 28, 2020, in accordance with the Budget (the “**Initial Term**”).

Upon expiry of the Initial Term, subject to any Extended Term (as defined below), the DIP Facility shall be terminated and cancelled and all Obligations (including interest thereon) shall be repaid to Lender.

Prior to the expiry of the Initial Term, the Lender may elect, in its sole discretion, to provide additional availability under the DIP Facility. If the Lender so elects to provide additional funding, such additional funding is to be provided for a period of time to be agreed upon by the Lender and the Debtor (the “**Extended Term**”) in accordance with a revised budget to be agreed upon between the Lender and the Debtor, in consultation with the Monitor.

Notwithstanding the foregoing, the Lender may terminate the DIP Facility at any time following the occurrence of an Event of Default (as defined below) at which point the Initial Term shall be deemed to have expired. The Initial Term shall also be deemed to have expired if at any time the Lender, acting reasonably, determines that there is no reasonable prospect that a sale of the Assets, satisfactory to the Lender, will be identified or completed through the SISP.

**10. CONDITIONS
PRECEDENT:**

The Lender will not be obliged to make any Advance under the DIP Facility unless, at the time such Advance is to be made, the following conditions precedent have been satisfied or waived (the “Conditions Precedent:

- (a) the Debtor has executed and returned a copy of this Term Sheet;
- (b) the Initial Order has been issued in form and substance satisfactory to the Lender (the “**Immediate Funding Condition**”);
- (c) the Initial Order has been issued in form and substance satisfactory to the Lender and is a final Order;
- (d) the SISP shall have been approved by Order of the Court (the “**SISP Order**”) in form and substance satisfactory to the Lender and is a final Order;
- (e) no amendment or modification has been made to the Initial Order, any other Order of the Court, or the SISP, unless consented to by the Lender;
- (f) no motion to amend, vary or stay any Order made in the CCAA Proceedings shall have been made or threatened in a manner materially adverse to the Lender, as determined by the Lender in its sole discretion;
- (g) the Debtor has delivered an Advance Request in accordance with the terms hereof;
- (h) no Event of Default has occurred;
- (i) there shall be no liens, security interests, claims, encumbrances or charges on the Assets ranking in priority to the DIP Lender’s Charge, other than the Administration Charge, unless otherwise consented to by the Lender;
- (j) the aggregate amount of all Advances shall not have exceeded the Maximum Advance Amount;
- (k) the Debtor’s compliance with the Budget shall be satisfactory to the Lender, in its sole discretion; and
- (l) no Material Adverse Effect (as defined herein below) shall have occurred after the date of the Initial Order, in the Lender’s sole discretion.

“Material Adverse Effect” means: (a) any effect which is or could reasonably be expected to be adverse to the: (i) status or conditions (financial or otherwise), properties, assets, ownership, capital, liabilities, obligations (whether absolute, accrued, conditional or otherwise), business operations or results of operations of the Debtor that, in the Lender’s sole opinion, is material; or (ii) ability of the Debtor to perform or discharge its obligations under this Term Sheet or any of the other documents relating hereto which, in the Lender’s sole opinion, is material or (b) any event which would constitute an Event of Default or any event which, with the giving of notice of the lapse of time or otherwise, could constitute an Event of Default.

**11. AFFIRMATIVE
COVENANTS:**

The Debtor covenants and agrees to:

- (a) maintain, or cause an affiliate to maintain, in good standing at all times all insurance coverage as is customarily carried by companies which are engaged in the same or similar business to the business of the Debtor or as otherwise may be required by the Lender;
- (b) if and as requested, provide to the Lender an oral or brief written status update regarding the CCAA Proceedings and the SISF;
- (c) use reasonable efforts to keep the Lender apprised on a timely basis of all material developments with respect to the CCAA Proceedings and the SISF;
- (d) consult in advance with the Lender in connection with any plan of compromise or arrangement and any such plan shall be satisfactory to and subject to the approval of the Lender;
- (e) consult with the Lender with respect to any proposed sale of any of the Assets outside of the ordinary course;
- (f) comply with the provisions of all Orders of the Court made in connection with the CCAA Proceedings;
- (g) use the proceeds of the DIP Facility only in accordance with the Budget, subject to the Cumulative Permitted Variance Threshold;
- (h) pay when due, all principal, prepayment obligations, interest, fees and other amounts payable by the Debtor

under this Term Sheet and under any other agreements related hereto;

- (i) forthwith notify the Lender and the Monitor of the occurrence of any Event of Default, or of any event or circumstance that may constitute an Event of Default or a material adverse change from the Budget;
- (j) forthwith notify the Lender and the Monitor of the commencement of any action, suit, investigation, litigation or proceeding before any court or governmental authority;
- (k) permit the Lender, and its agents, to inspect the collateral subject to the DIP Lender's Charge and the books and records of the Debtor upon no less than three (3) business days advance written notice; and
- (l) provide to the Lender at least five (5) business days in advance of the earlier of service or filing, copies or drafts of all petitions, pleadings, motions, affidavits, reports, applications, judicial information, financial information and other documents to be filed by or on behalf of the Debtor with the Court, which shall be in form and substance satisfactory to the Lender prior to any such service or filing.

**12. NEGATIVE
COVENANTS:**

The Debtor covenants and agrees not to (other than with the prior written consent of the Lender):

- (a) except as permitted by the Initial Order or further order of the Court, make any payment of principal or interest in respect of any indebtedness outstanding as at the date of the Initial Order;
- (b) disclaim, resiliate or terminate any material contract; merge, amalgamate, consolidate, reorganize, or complete any sale of any Assets outside of the ordinary course of business, other than sales of redundant or non-material assets, in each case as permitted pursuant to the Initial Order or further order of the Court;
- (c) make any acquisitions, investments or loans to any party or guarantee the obligations of any party, other than as contemplated in the Budget;
- (d) incur or enter into any debts, liabilities or obligations, including, without limitation, guarantees and contingent obligations, except in the ordinary course of business or

as may otherwise be approved by the Monitor and the Lender;

- (e) make or permit any dividends, distributions, or other payments to its shareholder;
- (f) enter into any agreement, initiate any process or put forward or participate in any plan or arrangement or motion that contemplates any amendment or waiver of the Lender's rights under this Term Sheet or that may otherwise adversely affect the Lender; and
- (g) contest, challenge, or deny the validity, perfection, priority, enforceability, or quantum of any of the Secured Notes, the Demand Debentures, the Loan Documents or the Secured Note Debt.

13. ADDITIONAL DOCUMENTS

At the Lender's request, the Debtor shall provide such other documentation, instruments, or agreements relating to the DIP Facility in form and substance satisfactory to the Lender.

The Debtor shall execute and deliver to the Lender such documents and assurances as the Lender may request that are reasonably necessary to give full force and effect to this Term Sheet. At the reasonable request of the Lender, the Debtor shall execute and deliver such acknowledgments, mortgages, security agreements, charges and other ancillary documents as the Lender may from time to time request to give full force and effect to this Term Sheet.

14. RESTRICTIONS:

Notwithstanding anything to the contrary herein, none of the proceeds of the Advances may be used in connection with (a) any investigation (including discovery proceedings), initiation or prosecution of any claims, causes of action, motions, applications, actions, or other litigation against the Lender, including any matters set forth in 12(g), above, or (b) the initiation or prosecution of any claims, causes of action, motions, applications, actions, or other litigation against the Lender in such capacity in respect of this Term Sheet.

15. EVENTS OF DEFAULT:

The occurrence of any one or more of the following constitutes an "Event of Default" under this Term Sheet:

- (a) failure by the Debtor to pay any principal, interest, fees, prepayment obligations or any other amounts, in each case when due and owing hereunder;
- (b) any payment is made by the Debtor that is not contemplated by or in compliance with the Budget

(subject to the Cumulative Permitted Variance Threshold);

- (c) the Debtor shall default in the observance or performance of any covenant or obligation hereunder, which, if curable, is not cured within five (5) business days after written notice from the Lender;
- (d) any termination of, or modification to, the stay of proceedings contained in the Initial Order, without the express written consent of the Lender;
- (e) the issuance of an order granting a lien or charge on any of the Assets which is senior to or *pari passu* with the DIP Lender's Charge, other than the Administration Charge, without the prior written consent of the Lender;
- (f) the issuance of an order staying, reversing, vacating or otherwise modifying the DIP Lender's Charge or, any order in the CCAA Proceedings in a manner which adversely impacts the rights and interests of the Lender;
- (g) any termination of the CCAA Proceedings;
- (h) a final order is entered whereby any Order of the Court made in the CCAA Proceedings, including without limitation the Initial Order and the SISP Order, is reversed, stayed, modified or amended without the prior consent of the Lender;
- (i) borrowings under the DIP Facility exceed the Maximum Advance Amount;
- (j) any breach by the Debtor of any Order of the Court granted in the CCAA Proceedings;
- (k) Deloitte Restructuring Inc. is replaced as the Monitor in the CCAA Proceedings without the Lender's prior written consent;
- (l) a Court order is made without the consent of the Lender, a liability arises or an event occurs, including any change in the business, assets, or conditions, financial or otherwise, of the Debtor, that could cause a Material Adverse Effect;
- (m) in the Lender's sole opinion there has been a Material Adverse Effect;

- (n) the Lender in good faith believes the prospect of payment of the Obligations or the performance of the Debtor's other obligations hereunder or under any of the security granted in connection herewith is impaired or that any of the Assets are or are about to be placed in jeopardy.

16. REMEDIES:

Upon the occurrence of an Event of Default, and at any time thereafter while an Event of Default is continuing, the Lender may refrain from making any further Advances and/or declare, after giving notice to the Debtor, that the DIP Facility is terminated and cancelled.

In addition, and subject to the terms of the Initial Order, the Lender shall have the right to exercise all other customary remedies under applicable law, including, without limitation, the right to realize on all collateral securing the Obligations.

For greater certainty, nothing shall prevent the Lender from applying to the Court for such relief as the Lender may determine is necessary or appropriate at any time.

No failure or delay by the Lender in exercising any of its rights hereunder or at law shall be deemed a waiver of any kind, and the Lender shall be entitled to exercise such rights in accordance with this Term Sheet at anytime.

17. CURRENCY:

Unless otherwise specified herein, all references to dollar amounts (without further description) shall mean Canadian Dollars.

**18. ENTIRE
AGREEMENT**

This Term Sheet constitutes the entire agreement between the parties relating to the subject matter hereof and supersedes all prior agreements and understandings relating thereto.

**19. AMENDMENTS,
WAIVERS, ETC.:**

No amendment or waiver of any provision of this Term Sheet will be effective unless it is in writing, and then the amendment, modification, waiver or consent will be effective only in the specific instance, for the specific purpose and for the specific length of time for which it is given.

**20. FURTHER
ASSURANCES:**

The Debtor shall from time to time promptly, upon the request of the Lender, take or cause to be taken such action, and execute and deliver such further instruments, agreements, and other documents as may be reasonably necessary or appropriate to give effect to the provisions and intent of this Term Sheet.

- 21. ASSIGNMENT:** Neither this Term Sheet nor any right and obligation hereunder or related hereto may be assigned by the Debtor without the prior written approval of the Lender.
- 22. GOVERNING LAW:** This Term Sheet shall be governed by, and construed in accordance with, the laws of the Province of Ontario and the federal laws of Canada applicable therein.
- 23. SEVERABILITY:** Any provision in this Term Sheet that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.
- 24. NO THIRD PARTY BENEFICIARY:** No person, other than the Debtor and the Lender, is entitled to rely upon this Term Sheet and the parties expressly agree that this Term Sheet does not confer rights upon any party not a signatory hereto.
- 25. NOTICE:** Any notice or request required or permitted to be given in connection with this Term Sheet shall be in writing and shall be sufficiently given if delivered (whether in person, by courier service or other personal method of delivery, or, if transmitted, by email):

(a) in the case of the Debtor at:

Ontario Graphite, Ltd.
2142 Forestry Tower Road
Kearney
Ontario
POA 1M0

Attention: Ellerton Castor
Email: ecastor@ontariographite.com

with a copy to:

Miller Thomson LLP
40 King Street West
Suite 5800
Toronto, ON
M5H 3S1

Attention: Craig Mills
Email: cmills@millერთhompson.com

(b) in the case of the Lender at:

Orionis Corporation
Trident Chambers, P.O. Box 146
Road Town, Tortola, British Virgin
Islands

Attention: Francisco Rivera Mojica
Email: frivera@azurita.co

with a copy to:

Osler Hoskin & Harcourt LLP
1000 rue de la Gauchetière O., Suite 2100
Montreal, QC
H3B 4W5

Attention: Sandra Abitan & Sean Stidwill
Email: sabitan@osler.com & sstidwill@osler.com

26. COUNTERPARTS:

This Term Sheet may be executed in any number of counterparts and may be transmitted by facsimile or other electronic transmission, each of which when executed and delivered shall be deemed to be an original, and all of which when taken together shall constitute one and the same instrument. Any party may execute this Term Sheet by signing any counterpart of it.

[Signature Page Follows]

If the above terms and conditions contained herein are acceptable to the Debtor, please execute and return a copy of this Term Sheet.

ORIONIS CORPORATION

By: _____
Name:
Title:

We acknowledge and accept the within terms and conditions as of the date first written above.

ONTARIO GRAPHITE, LTD.

By: _____
Name:
Title:

SCHEDULE "A"

Budget

(see attached)

Ontario Graphite Limited
Cash Flow Forecast to August 28, 2020
USD

Week ending	14-Feb-20	21-Feb-20	28-Feb-20	6-Mar-20	13-Mar-20	20-Mar-20	27-Mar-20	3-Apr-20	10-Apr-20	17-Apr-20	24-Apr-20
<i>Receipts</i>											
Orionis funding - MECP work	-	75,000	-	-	-	-	-	-	-	-	-
Orionis fundibng - Operating	300,000	-	-	225,000	-	-	-	225,000	-	-	-
Total receipts	300,000	75,000	-	225,000	-	-	-	225,000	-	-	-
<i>Disbursements</i>											
Payroll and benefits	(25,926)	(28,929)	-	(25,926)	-	(28,929)	-	(25,926)	-	(28,929)	-
Mine operations	(58,647)	(4,500)	(4,500)	(60,588)	(4,500)	(4,500)	(4,500)	(58,713)	(4,500)	(4,500)	(4,500)
General and administrative	(22,977)	(29,250)	(28,125)	(22,977)	-	-	-	(22,977)	-	-	-
MECP costs	-	(51,158)	-	-	-	-	-	-	-	-	-
Professional fees	(92,500)	-	-	(71,250)	-	-	-	(71,250)	-	-	-
Total disbursements	(200,050)	(113,837)	(32,625)	(180,741)	(4,500)	(33,429)	(4,500)	(178,866)	(4,500)	(33,429)	(4,500)
Net cash flow	99,950	(38,837)	(32,625)	44,259	(4,500)	(33,429)	(4,500)	46,134	(4,500)	(33,429)	(4,500)
Opening bank balance	-	99,950	61,113	28,488	72,748	68,248	34,819	30,319	76,453	71,953	38,524
Net cash flow	99,950	(38,837)	(32,625)	44,259	(4,500)	(33,429)	(4,500)	46,134	(4,500)	(33,429)	(4,500)
Closing cash balance	99,950	61,113	28,488	72,748	68,248	34,819	30,319	76,453	71,953	38,524	34,024

Ontario Graphite Limited
Cash Flow Forecast to August 28, 2020
USD

Week ending	1-May-20	8-May-20	15-May-20	22-May-20	29-May-20	5-Jun-20	12-Jun-20	19-Jun-20	26-Jun-20	3-Jul-20	10-Jul-20
<i>Receipts</i>											
Orionis funding - MECP work	50,000	50,000	75,000	75,000	-	-	-	-	-	-	-
Orionis fundibng - Operating	325,000	-	-	-	-	250,000	-	-	-	350,000	-
Total receipts	375,000	50,000	75,000	75,000	-	250,000	-	-	-	350,000	-
<i>Disbursements</i>											
Payroll and benefits	(25,926)	-	(28,929)	-	(25,926)	-	(28,929)	-	(25,926)	-	(28,929)
Mine operations	(58,713)	(4,500)	(4,500)	(4,500)	(41,374)	(21,839)	(4,500)	(4,500)	(41,374)	(24,464)	(4,500)
General and administrative	(22,977)	-	-	-	(6,990)	(15,987)	-	-	(6,990)	(15,987)	-
MECP costs	(60,517)	(60,517)	(60,517)	(60,517)	-	-	-	-	-	-	-
Professional fees	(93,750)	-	-	-	-	(93,750)	-	-	-	(93,750)	-
Total disbursements	(261,883)	(65,017)	(93,946)	(65,017)	(74,290)	(131,576)	(33,429)	(4,500)	(74,290)	(134,201)	(33,429)
Net cash flow	113,117	(15,017)	(18,946)	9,983	(74,290)	118,424	(33,429)	(4,500)	(74,290)	215,799	(33,429)
Opening bank balance	34,024	147,141	132,123	113,177	123,159	48,869	167,293	133,864	129,364	55,075	270,874
Net cash flow	113,117	(15,017)	(18,946)	9,983	(74,290)	118,424	(33,429)	(4,500)	(74,290)	215,799	(33,429)
Closing cash balance	147,141	132,123	113,177	123,159	48,869	167,293	133,864	129,364	55,075	270,874	237,445

Ontario Graphite Limited
Cash Flow Forecast to August 28, 2020
USD

Week ending	17-Jul-20	24-Jul-20	31-Jul-20	7-Aug-20	14-Aug-20	21-Aug-20	28-Aug-20	Total
<i>Receipts</i>								
Orionis funding - MECP work	-	-	-	-	-	50,000	-	375,000
Orionis fundibng - Operating	-	-	-	475,000	-	-	-	2,150,000
Total receipts	-	-	-	475,000	-	50,000	-	2,525,000
<i>Disbursements</i>								
Payroll and benefits	-	(25,926)	-	(28,929)	-	(25,926)	(100,000)	(509,911)
Mine operations	(4,500)	(4,500)	(41,374)	(21,839)	(4,500)	(4,500)	(41,374)	(551,297)
General and administrative	-	-	(14,945)	(8,032)	-	-	(14,945)	(233,159)
MECP costs	-	-	-	-	-	(56,391)	-	(349,619)
Professional fees	-	-	(93,750)	-	-	-	(232,500)	(842,500)
Total disbursements	(4,500)	(30,426)	(150,069)	(58,800)	(4,500)	(86,817)	(388,819)	(2,486,486)
Net cash flow	(4,500)	(30,426)	(150,069)	416,200	(4,500)	(36,817)	(388,819)	38,514
Opening bank balance	237,445	232,945	202,519	52,450	468,650	464,150	427,333	-
Net cash flow	(4,500)	(30,426)	(150,069)	416,200	(4,500)	(36,817)	(388,819)	38,514
Closing cash balance	232,945	202,519	52,450	468,650	464,150	427,333	38,514	38,514

Appendix "B"

Notice of DIP Termination

April 17, 2020

VIA ELECTRONIC MAIL

Ontario Graphite, Ltd.
2142 Forestry Tower Road
Kearney, Ontario
POA 1M0

Attention: Ellerton Castor
Email: ecastor@ontariographite.com

Miller Thomson LLP
40 King Street West
Suite 5800
Toronto, Ontario
M5H 3S1

Attention: Kyla Mahar & Craig Mills
Email: kmahar@millerthomson.com &
cmills@millerthomson.com

Deloitte Restructuring Inc., in its capacity as
Monitor of Ontario Graphite, Ltd.
8 Adelaide Street West
Bay Adelaide East Tower
Toronto, Ontario
M5H 0A9

Attention: Phil Reynolds & Todd Ambachtsheer
Email: philreynolds@deloitte.ca &
tambachtsheer@deloitte.ca

Borden Ladner Gervais LLP
Bay Adelaide Centre, East Tower
22 Adelaide Street West
Suite 3400
Toronto, Ontario
M5H 4E3

Attention: Alex MacFarlane
Email: amacfarlane@blg.com

Re: Notice of Event of Default and Termination of DIP Facility

Dear Sirs/Madams:

As you are aware, Orionis Corporation (the “**Lender**”) brought an application pursuant to the *Companies’ Creditors Arrangement Act*, RSC 1985, c C-36 (the “**CCAA**”) before the Ontario Superior Court of Justice (Commercial List) (the “**Court**”) on February 12, 2020 in respect of Ontario Graphite, Ltd. (“**OGL**”) for the purpose of commencing a sale and investment solicitation process (the “**SISP**”) in respect of OGL’s assets, undertakings and properties, real and personal (the “**Assets**”).

Following the hearing of the foregoing application, the Court granted an Initial Order (as amended and restated, the “**Initial Order**”) that, among other things, approved the CCAA Debtor-In-Possession Financing Term Sheet dated February 10, 2020 (the “**DIP Term Sheet**”) between OGL and the Lender and authorized OGL to request advances from the Lender on the terms and conditions thereof, which advances the Lender was authorized to provide, in its sole discretion. Pursuant to the Initial Order, Deloitte Restructuring Inc. was appointed as CCAA monitor of OGL (in such capacity, the “**Monitor**”).

On February 20, 2020, the Court granted an Order that, among other things, approved the SISP. As set out in the SISP and subject to the terms thereof, the deadline for the delivery of

Non-Binding Indications of Interest (as defined in the SISP) to the Monitor was 5:00 pm (Toronto Time) on April 15, 2020 (the “**Phase I Bid Deadline**”).

The Lender has been advised that the Monitor received three bids (the “**Bids**”) prior to the Phase I Bid Deadline. Following a review of the information provided by the Monitor regarding the Bids, the Lender is of the view that (i) none of the Bids is compliant with the requirements set forth in the SISP, in particular Section 4.2(1) thereof, (ii) there is no reasonable prospect that a sale of the Assets, satisfactory to the Lender, will be completed through the SISP, and (iii) the prospect of payment of the Obligations (as defined in the DIP Term Sheet) is impaired.

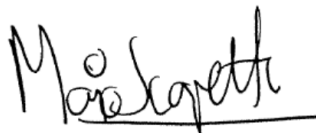
This letter serves as formal notice that an event of default under Section 15(n) of the DIP Term Sheet has occurred and, accordingly, the Obligations (as defined in the DIP Term Sheet), which includes advances of principal and accrued interest in the aggregate amount of not less than US\$626,713 as at the date hereof, have become due and payable in accordance with Section 8(c) of the DIP Term Sheet. This letter also serves as the Lender’s notice to terminate the DIP Facility (as defined in the DIP Term Sheet) pursuant Section 9 of the DIP Term Sheet and in accordance with the Initial Order.

This letter is provided under an express reservation of all rights, remedies, and recourses available to the Lender at law, in equity or otherwise, and nothing contained herein should be interpreted as a waiver of any right, an extension of any time period, and this letter is without any admission whatsoever.

Yours truly,

ORIONIS CORPORATION

By:

A handwritten signature in black ink, appearing to read "Mario Scarpetta Gnecco", written over a horizontal line.

Name: Mario Scarpetta Gnecco

Title: Director