

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)
COMMERCIAL LIST**

IN THE MATTER OF THE PROPOSAL OF MAGNA GOLD CORP.

MOTION RECORD OF MAGNA GOLD CORP.

(Returnable March 27, 2023)

March 20, 2023

BENNETT JONES LLP
3400 One First Canadian Place
P.O. Box 130
Toronto, ON M5X 1A4

Sean Zweig (LSO# 57307I)
Aiden Nelms (LSO# 74170S)

Tel: 416-777-6254
Fax: 416-863-1716

Lawyers for Magna Gold Corp.

I N D E X



**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)
COMMERCIAL LIST**

IN THE MATTER OF THE PROPOSAL OF MAGNA GOLD CORP.

INDEX

TAB	DOCUMENT
1	Notice of Motion
2	Affidavit of Leslie Kapusianyuk sworn March 20, 2023
A	Exhibit "A" - Corporate Profile Report for Magna Gold Corp.
B	Exhibit "B" - Magna Group's Current Corporate Structure
C	Exhibit "C" - Magna's Certificate of Filing the NOI
D	Exhibit "D" - Magna's internally prepared unaudited balance sheet as at February 28, 2023
E	Exhibit "E" - March 2023 PPSA Results conducted against the Magna
F	Exhibit "F" – Signed Convertible Debenture Certificate (Delbrook Resource Opportunities Master Fund LP)
G	Exhibit "G" – Signed Convertible Debenture Certificate (Delbrooke Resource Opportunities Fund)
3	Notice of Application dated March 20, 2023
4	Draft Initial Order
5	Blackline Comparison of Draft Initial Order to Model Initial Order
6	Draft Stay Extension Order

**T
A
B

1**

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)
COMMERCIAL LIST**

IN THE MATTER OF THE PROPOSAL OF MAGNA GOLD CORP.

**NOTICE OF MOTION
(Returnable March 27, 2023)**

Magna Gold Corp. ("**Magna**" or the "**Applicant**"), will make a motion before the Honourable Justice McEwen of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") on March 27, 2023, at 10:30 a.m. or as soon after that time as the motion can be heard.

PROPOSED METHOD OF HEARING: The motion is to be heard by videoconference as a result of the COVID-19 pandemic, the details of which will be provided by the Court.

THE MOTION IS FOR:

1. An Order (the "**Initial Order**") substantially in the form of the draft order attached at Tab "4" of this Motion Record which, among other things:

- (a) declares that the Applicant is an entity to which the CCAA applies;
- (b) authorizes the continuation under the CCAA of the proceedings under the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**"), commenced by Magna pursuant to a Notice of Intention to Make a Proposal (the "**NOI**") filed on March 3, 2023 (the "**Proposal Proceedings**");
- (c) appoints KSV Restructuring Inc. ("**KSV**") as an officer of the Court (in such capacity, the "**Proposed Monitor**") to monitor the assets, business and affairs of the Applicant (as appointed, the "**Monitor**");
- (d) stays, for an initial period of not more than ten (10) days (the "**Stay of Proceedings**"), all proceedings and remedies taken or that might be taken in respect

of the Applicant, the Monitor or the Directors and Officers or affecting the Applicant's business or the Property (each as defined below), except with the written consent of the Applicant and the Monitor, or with leave of the Court;

- (e) grants the Administration Charge and Directors' Charge (each as defined below) over the Applicant's current and future assets, undertakings and property of every nature and kind whatsoever and wherever situated, including all proceeds thereof (collectively, the "**Property**");
- (f) authorizes the decision by the Applicant to incur no further expenses in relation to any filings and disclosures that may be required by any federal, provincial or other laws respecting securities or capital markets in Canada and the United States;
- (g) relieves Magna of any obligation to call and hold its annual general meeting of shareholders (the "**AGM**") until further Order of the Court; and
- (h) approves the First Report of KSV in its capacity as proposal trustee in the Proposal Proceedings (in such capacity, the "**Proposal Trustee**") and the Report of the Proposed Monitor, to be filed (the "**Report**"), and the activities of KSV described therein.

2. Such further and other relief as this Honourable Court deems just.

THE GROUNDS FOR THE MOTION ARE:

Background and Overview

3. Magna was incorporated in 2018 under the provisions of the *Business Corporations Act* (Ontario) and is a reporting issuer with its common shares currently listed on: (i) the NEX Board of the TSX Venture Exchange (the "**TSXV**") with the trading symbol MGR.H; and (ii) OTC Pink with the trading symbol MGLQF.

4. Substantially all of Magna's value is derived through its equity interests in its direct and indirect subsidiaries (collectively, the "**Subsidiaries**", and together with Magna, the "**Magna Group**"). The Magna Group is a Mexico-focused mineral resource company engaged in the acquisition, exploration, development and operation of mineral properties.

5. Magna holds a 99.9% interest in Minera Magna, S.A. de C.V. and a 100.0% interest in 2660170 Ontario Ltd. Through those Subsidiaries, Magna indirectly holds a 99.9% interest in both Molimentales del Noroeste, S.A. de C.V ("**Molimentales**") and LM Mining Corp, S.A. de C.V.

6. Magna currently employs five (5) people. While Magna has a relatively small number of employees, the Magna Group has approximately 124 full-time employees. Magna also relies on a variety of consultants and contractors to carry out a number of its activities and, in particular, to carry out project development activities and to supervise work programs on its mineral properties.

7. Magna does not own or lease any real property. Magna has its registered head office located at 82 Richmond Street East, Toronto, Ontario, M5C 1P1 (the "**Registered Head Office**").

8. Magna's cash management system is managed out of Canada and it maintains two (2) bank accounts – one (1) Canadian dollar account and one (1) United States dollar account, each with Royal Bank of Canada. Magna does not have any corporate credit cards.

9. While the Magna Group generates some operating cash flow from mining activities, historically the Magna Group was highly dependent on its ability to raise money through the capital markets. The funds raised were typically loaned to the Subsidiaries to fund operations. Monies were then transferred up from Molimentales to Magna as and when needed as repayment of intercompany loans. On February 24, 2023, in advance of the Proposal Proceedings, Magna entered into a Funding Agreement with Molimentales (the "**Funding Agreement**"). In connection with the foregoing, Magna expects to be funded during the proposed CCAA proceedings by Molimentales via the Funding Agreement.

(i) *Magna's Business Interests*

10. Substantially all of the Magna Group's assets are located outside of Canada with its principal projects¹ being:

- (a) the San Francisco Project - Molimentales owns a 100% interest in 13 mineral concessions along with the surrounding mineral concessions located in the north central portion of the Mexican state of Sonora, which borders on the American state

¹ The Principal Projects each have technical reports that are NI 43-101 compliant.

of Arizona, and is approximately 150 kilometres north of the city of Hermosillo, the capital of Sonora (the "**San Francisco Project**");

- (b) the Mercedes Project - on June 6, 2019, Magna completed its qualifying transaction consisting of an option agreement dated September 25, 2018 (the "**Mercedes Option Agreement**"), pursuant to which Magna acquired an option to acquire a 100% undivided interest in two (2) mining claims located in the municipality of Yécora, Sonora, Mexico (the "**Mercedes Project**"). As at March 16, 2023, Magna had paid US\$440,000 of the US\$1,340,000 owing under the Mercedes Option Agreement; and
- (c) the Margarita Project – Molimentales owns a 100% undivided interest in two (2) mineral concessions located within the Municipality of Satevó, in Northern México, in the South-central part of the State of Chihuahua (the "**Margarita Project**" and together with the San Francisco Project and the Mercedes Project, the "**Principal Projects**").

11. The San Francisco Project is a producing property, while the Mercedes Project and the Margarita Project are in the exploration and development stage. In addition to the Principal Projects, Magna has certain additional mineral projects that are, for the most part, in the exploration phase and subject to option agreements.

(ii) *Magna's Financial Position*

12. As at February 28, 2023, Magna had total assets with a book value of \$37.4 million and total liabilities with a book value of \$11.8 million. While the book value of Magna's assets exceeds the book value of its liabilities, the realizable value of the assets will only be known following the culmination of the Molimentales Proceedings (as defined below).

13. There are currently no registrations against Magna under the *Personal Property Security Act*, R.S.O. 1990, c. P. 10, as amended, or the *Personal Property Security Act* [RSBC 1996] Chapter 359.

14. On August 19, 2021, Magna closed an offering of convertible debentures (the "**Convertible Debentures**") for gross proceeds of \$10,000,000 (the "**Offering**") pursuant to two (2) Convertible Debenture Certificates (together, the "**Convertible Debenture Certificates**"). Pursuant to the Offering, Magna sold \$10,000,000 aggregate principal amount of the Convertible Debentures to funds managed by Delbrook Capital Advisors Inc. ("**Delbrook**"), a shareholder of Magna.

15. The Convertible Debentures are unsecured obligations that mature on August 19, 2023 and bear an interest rate of 8.5%. The Convertible Debenture Certificates contemplated an interest rate adjustment in the event that the security contemplated thereunder was delivered, however, that security was never delivered to Delbrook. Until the commencement of the Proposal Proceedings, Magna was making timely interest payments under the Convertible Debenture Certificates.

16. Magna owes approximately \$855,000 to third party vendors and service providers, including professional advisors. Magna owes payroll arrears of approximately \$51,000 and, as of March 16, 2023, has an accrued vacation pay liability of approximately \$109,900.

(iii) The NOI and the Proposal Proceedings

17. Due to, among other things, the production of its operational projects, its cash position, its forecast revenue, the COVID-19 pandemic and liquidity issues, the Magna Group was unable service its debt or meet certain of its other ordinary course obligations. As a result, on March 3, 2023 (the "**NOI Filing Date**"), Magna filed the NOI and initiated the Proposal Proceedings. Concurrent with the NOI, Molimentales filed an application (the "**Molimentales Application**") for restructuring and provisional creditor protection before the Second District Court for Insolvency Matters located in Mexico City, Mexico (the "**Molimentales Proceedings**").

18. Magna's decision to file the NOI and initiate the Proposal Proceedings, as opposed to seeking relief under the CCAA from the outset, was driven in large part by timing requirements and interplay between Canadian and Mexican creditor relief laws and the need for immediate relief for Magna following the successful admission of the Molimentales Application. The Molimentales Proceedings are expected to last longer than six (6) months.

19. Since commencing the Proposal Proceedings, Magna has worked diligently to maintain the stability of its operating business, manage its relationships with key stakeholders, liaise with the securities exchanges and comply with its obligations under the BIA.

The Initial Order

(i) Continuation of the Proposal Proceedings under the CCAA

20. Pursuant to the BIA, under the Proposal Proceedings, Magna is required to make a proposal that is acceptable to its creditors within six (6) months of the NOI Filing Date. Given, among other things, the need to continue ordinary course operations, the expected duration of the Molimentales Proceedings and the uncertainty as to the value of Magna until those proceedings are advanced, it is expected that Magna will require more than six (6) months to develop its restructuring. In light of the foregoing, Magna is seeking an Initial Order from this Court that, among other things, continues the Proposal Proceedings under the CCAA pursuant to section 11.6 of the CCAA.

21. Absent a continuation of the Proposal Proceedings under the CCAA, a deemed bankruptcy would likely result which would be prejudicial to Magna's creditors and stakeholders. With the benefit of the flexibility, stability and breathing space provided by the CCAA, along with the oversight and assistance of the Monitor, Magna intends to, among other things:

- (a) continue to operate its business in the ordinary course;
- (b) monitor and update the Court on the progress of the Molimentales Proceedings;
- (c) develop a go-forward business plan for the benefit of Magna's creditors and other stakeholders; and
- (d) evaluate the viability of presenting a plan of compromise or arrangement to Magna's creditors within the proposed CCAA proceedings.

(ii) *Stay of Proceedings*

22. Magna requires the Stay of Proceedings to maintain the *status quo* and thereby protect the value of its business. The Stay of Proceedings is in the best interests of Magna and its stakeholders.

23. Magna is particularly vulnerable to enforcement action from its creditors given its liquidity constraints and the fact that it cannot satisfy its obligations as they become due. Without the Stay of Proceedings, Magna will be unable to operate its business for the benefit of all stakeholders. The Stay of Proceedings will permit Magna to continue to operate as a going-concern with minimal disruption to its ordinary course business operations. Additionally, Magna will be able to monitor the Molimentales Proceedings and explore various strategic alternatives with a view to maximizing stakeholder value.

24. The cash flow analysis over the 13-week period from March 13, 2023 to June 2, 2023, which will be appended to the Report, demonstrates that if the relief sought under the proposed Initial Order is granted, Magna is expected to have sufficient liquidity to meet its ordinary course obligations over the initial period of these proposed CCAA proceedings without the need for debtor-in-possession financing.

(iii) *Proposed Monitor*

25. The proposed Initial Order contemplates that KSV will act as Monitor in Magna's proposed CCAA proceedings. KSV has consented to act as Monitor of Magna in the CCAA proceedings if the proposed Initial Order is granted.

26. Given that KSV is currently acting as Proposal Trustee in the Proposal Proceedings, KSV is already working with Magna's management and is best suited and equipped to act as Monitor.

(iv) *Administration Charge*

27. The proposed Initial Order contemplates a Court-ordered priority charge over the Property in favour of the Monitor, as well as the Monitor's and Magna's counsel, to secure payment of their respective fees and disbursements incurred in connection with services rendered in respect of Magna up to a maximum amount of \$300,000 (the "**Administration Charge**"). The Administration Charge is proposed to rank ahead of and have priority over the Directors' Charge.

28. Magna requires the expertise, knowledge and continued participation of the proposed beneficiaries of the Administration Charge during the pendency of the proposed CCAA proceedings in order to complete a successful restructuring. It is contemplated that each of the beneficiaries of the Administration Charge will:

- (a) have distinct roles in Magna's restructuring;
- (b) have extensive involvement throughout the proposed CCAA proceedings;
- (c) continue to contribute to the restructuring of Magna; and
- (d) ensure that there is no unnecessary duplication of roles among parties.

(v) *Directors' Charge*

29. The success of Magna's restructuring will only be possible with the continued participation of Magna's directors and officers (collectively, the "**Directors and Officers**"). While the Directors and Officers are beneficiaries under a liability insurance policy maintained by Magna, these types of policies have various exceptions, exclusions and carve-outs and they may not provide sufficient coverage against the potential liability that the Directors and Officers could incur in connection with the proposed CCAA proceedings. The Directors and Officers have expressed their desire for certainty with respect to their potential personal liability if they are to continue in their current capacities during the proposed CCAA proceedings.

30. In light of the foregoing, the proposed Initial Order contemplates a priority charge over the Property in favour of the Directors and Officers up to a maximum amount of \$300,000 (the "**Directors' Charge**"). The Directors' Charge would serve as security for the indemnification obligations and potential liabilities the Directors and Officers will face in the proposed CCAA proceedings.

(vi) *Relief from Certain Securities Filing Requirements and in Respect of the AGM*

31. Due in large part to its liquidity constraints, Magna requires relief authorizing its decision to incur no further expenses in relation to any filings, disclosures, core or non-core documents, restatements, amendments to existing filings, press releases, financial reporting or any other

actions that may be required by any federal, provincial or other law respecting securities or capital markets in Canada or the United States and other rules and policies of the TSXV, NEX Board or OTC Pink.

32. Further, Magna believes it would be a distraction and unnecessary expense for it to hold an AGM in the circumstances where it is subject to creditor protection. As a result, Magna is also seeking to be relieved of any obligation to call and hold an AGM until further Order of this Court.

33. Notwithstanding any of the foregoing, the Proposed Monitor will post all Court materials, which will include Magna's cash flow projections and variance analyses, such that shareholders and other stakeholders will still have an uninterrupted access to, among other things, Magna's operational and financial information.

OTHER GROUNDS:

34. The provisions of the BIA and the statutory, inherent and equitable jurisdiction of this Honourable Court;

35. Rules 1.04, 1.05, 2.03, 3.02, 14.05(2), 16, 37 and 39 of the Ontario *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194, as amended and section 106 of the CJA;

36. The provisions of the CCAA, including section 11.6, and the statutory, inherent and equitable jurisdiction of this Honourable Court; and

37. Such further and other grounds as counsel may advise and the Court may permit.

DOCUMENTARY EVIDENCE:

38. The following documentary evidence will be used at the hearing of the motion:

- (a) the Affidavit of Leslie Kapusianyk sworn March 20, 2023;
- (b) the consent of KSV to act as Monitor in the CCAA proceedings;
- (c) the Factum of Magna, to be filed;
- (d) the First Report of the Proposal Trustee and the Report of the Proposed Monitor, to be filed; and

(e) such further and other evidence as counsel may advise and the Court may permit.

March 20, 2023

BENNETT JONES LLP

One First Canadian Place
Suite 3400, P.O. Box 130
Toronto, Ontario
M5X 1A4

Sean Zweig (LSO# 57307I)

Aiden Nelms (LSO# 74170S)

Tel: 416-777-6254

Fax: 416-863-1716

Lawyers for Magna Gold Corp.

IN THE MATTER OF THE PROPOSAL OF MAGNA GOLD CORP.

Estate/Court File No.: 31-2917856

**ONTARIO
SUPERIOR COURT OF JUSTICE
(BANKRUPTCY AND INSOLVENCY)
COMMERCIAL LIST**

Proceedings Commenced at Toronto

NOTICE OF MOTION

BENNETT JONES LLP

One First Canadian Place
Suite 3400, P.O. Box 130
Toronto, Ontario
M5X 1A4

Sean Zweig (LSO# 57307I)
Aiden Nelms (LSO# 74170S)

Tel: 416-777-6254
Fax: 416-863-1716

Lawyers for Magna Gold Corp.

**T
A
B
2**

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)
COMMERCIAL LIST**

IN THE MATTER OF THE PROPOSAL OF MAGNA GOLD CORP.

**AFFIDAVIT OF LESLIE KAPUSIANYK
(Sworn March 20, 2023)**

I, Leslie Kapusianyuk, of the city of Vancouver, in the Province of British Columbia,
MAKE OATH AND SAY:

1. I am the General Counsel and Corporate Secretary of Magna Gold Corp. ("**Magna**" or the "**Applicant**") and have been in this role since December, 2020. As such, I have personal knowledge of the Applicant and the matters to which I depose in this affidavit, unless otherwise indicated. Where I have relied on other sources for information, I have so stated and I believe them to be true.

2. I swear this affidavit in support of an application for an order (the "**Initial Order**") pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), which, among other things:

- (a) declares that the Applicant is an entity to which the CCAA applies;
- (b) authorizes the continuation under the CCAA of the proceedings under the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**"),

commenced by Magna pursuant to a Notice of Intention to Make a Proposal (the "**NOI**") filed on March 3, 2023 (the "**Proposal Proceedings**");

- (c) appoints KSV Restructuring Inc. ("**KSV**") as an officer of this Court (in such capacity, the "**Proposed Monitor**") to monitor the assets, business and affairs of the Applicant (as appointed, the "**Monitor**");
- (d) stays, for an initial period of not more than ten (10) days (the "**Stay of Proceedings**"), all proceedings and remedies taken or that might be taken in respect of the Applicant, the Monitor or the Directors and Officers or affecting the Applicant's business or the Property (each as defined below), except with the written consent of the Applicant and the Monitor, or with leave of this Court;
- (e) grants the Administration Charge and Directors' Charge (each as defined below) over the Applicant's current and future assets, undertakings and property of every nature and kind whatsoever and wherever situated, including all proceeds thereof (collectively, the "**Property**");
- (f) authorizes the decision by the Applicant to incur no further expenses in relation to any filings and disclosures that may be required by any federal, provincial or other laws respecting securities or capital markets in Canada or the United States;
- (g) relieves Magna of any obligation to call and hold its annual general meeting of shareholders (each an "**AGM**") until further Order of the Court; and
- (h) approves the First Report of KSV in its capacity as proposal trustee in the Proposal Proceedings (in such capacity, the "**Proposal Trustee**") and the Report of the

Proposed Monitor, to be filed (the "**Report**"), and the activities of KSV described therein.

3. If the Initial Order is granted, the Applicant intends to return to Court within ten (10) days (the "**Comeback Hearing**") to seek approval of an Order, which, among other things, extends the Stay of Proceedings (the "**Stay Extension**").

4. All references to currency in this affidavit are in Canadian dollars unless otherwise noted.

I. OVERVIEW

5. Magna is a reporting issuer with its common shares now listed on: (i) the NEX Board of the TSXV with the trading symbol MGR.H; and (ii) OTC Pink with the trading symbol MGLQF.

6. Substantially all of Magna's value is derived through its equity interests in its direct and indirect subsidiaries (collectively, the "**Subsidiaries**", and together with Magna, the "**Magna Group**"). The Magna Group is a Mexico-focused mineral resource company engaged in the acquisition, exploration, development and operation of mineral properties.

7. Due to, among other things, the production of its operational projects, its cash position, forecast revenue, the COVID-19 pandemic and liquidity issues, the Magna Group has been unable to service its debt or meet certain of its other ordinary course obligations. As a result, and after careful consideration, on March 3, 2023 (the "**NOI Filing Date**"), Magna filed the NOI and initiated the Proposal Proceedings.

8. Concurrent with the NOI, Magna's indirect subsidiary, Molimentales (as defined below), filed an application (the "**Molimentales Application**") for restructuring and provisional creditor

protection before the Second District Court for Insolvency Matters (the "**Mexican Court**") located in Mexico City, Mexico (the "**Molimentales Proceedings**").

9. Given that a significant amount of Magna's value is its equity in Molimentales and it is expected that the Molimentales Proceedings will take in excess of six (6) months (as is further detailed below), Magna has determined that it would be appropriate to continue the Proposal Proceedings under the CCAA.

II. BACKGROUND

10. Magna was incorporated on January 9, 2018 pursuant to the provisions of the *Business Corporations Act* (Ontario) and has its registered head office located at 82 Richmond Street East, Toronto, Ontario, M5C 1P1 (the "**Registered Head Office**"). The directors and officers of Magna (collectively, the "**Directors and Officers**") are as follows:

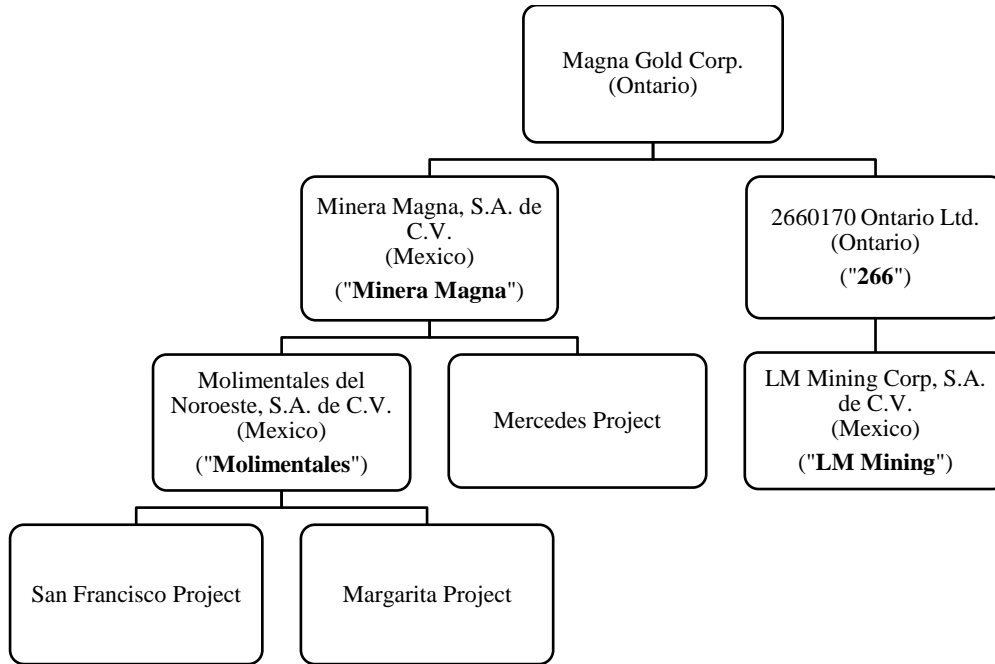
- (a) Francisco Arturo Bonillas Zepeda – President, Chief Executive Officer and Director;
- (b) Colin Sutherland – Chief Financial Officer and Director;
- (c) Miguel Bonilla – Chief Operating Officer and Director;
- (d) Alexander Peter Tsakumis – Director;
- (e) Laura Cristina Diaz Nieves – Director;
- (f) Amandip Singh – Vice President Corporate Development;
- (g) Leslie Kapusianyuk – General Counsel and Corporate Secretary; and

(h) Parviz Farsangi – Chair of the Board and Director.

The corporate profile report for Magna is attached hereto as **Exhibit "A"**.

11. Prior to the NOI and the Proposal Proceedings, which are discussed in greater detail below, Magna was a reporting issuer trading in the provinces of Ontario, Alberta and British Columbia with its common shares listed on the TSX Venture Exchange ("**TSXV**"). As a result of the NOI and the Proposal Proceedings, the trading of Magna's common shares was transferred to the NEX Board of the TSXV effective at the opening of market on March 8, 2023, and the trading symbol changed from MGR to MGR.H. Magna is also listed on the OTC Pink with the trading symbol MGLQF.

12. Magna holds a 99.9% interest in Minera Magna, S.A. de C.V. ("**Minera Magna**") and a 100.0% interest in 2660170 Ontario Ltd ("**266**"). Minera Magna holds a 99.9% interest in Molimentales del Noroeste, S.A. de C.V ("**Molimentales**") and 266 holds a 99.9% interest in LM Mining Corp, S.A. de C.V ("**LM Mining**"). A copy of the Magna Group's current corporate structure is attached hereto as **Exhibit "B"** and is reproduced below for ease of reference.



13. Substantially all of the Magna Group's assets are located outside of Canada. The Magna Group's principal projects¹ are its 100% interests in:

- (a) the San Francisco Project;
- (b) the Mercedes Project; and
- (c) the Margarita Project (each as defined and discussed further below).

A. Employees

14. Magna currently employs five (5) people (collectively, the "**Employees**"). The Employees and their titles are set out in the chart below:

Employee Name	Title
Colin Sutherland	Chief Financial Officer

¹ The principal projects each have technical reports that are NI 43-101 compliant.

Leslie Kapusianyuk	General Counsel and Corporate Secretary
Amandip Singh	Vice President of Corporate Development
Gregory Barbier	Vice President of Finance
Mark Owen	Controller

15. The aggregate bi-monthly payroll for Magna is approximately \$39,000 and is administered through Ceridian. As of March 16, 2023, Magna has an accrued vacation pay liability of approximately \$109,000.

16. While Magna has a relatively small number of employees, the Magna Group has approximately 124 full-time employees. Magna also relies on a variety of consultants and contractors to carry out a number of its activities and, in particular, to carry out project development activities and to supervise work programs on its mineral properties.

B. Owned and Leased Real Property

17. Magna does not own or lease any real property.

18. Magna's Registered Head Office is located at the offices of DSA Corporate Services Inc. who acts as its corporate secretary provider and also stores its books and records. Magna is also party to a Virtual Office Agreement with RGN Management Limited Partnership, a Regus workshare entity, whereby Magna has, subject to certain terms and conditions, access to office space at 666 Burrard Street – Suite 500, Vancouver, British Columbia, V6C 3P6.

C. Cash Management, Credit Cards and Funding

19. Magna maintains two (2) bank accounts – one (1) Canadian dollar account and one (1) United States dollar account, each with Royal Bank of Canada. Magna does not have any corporate credit cards.

20. Magna's cash management system is managed out of Canada. While the Magna Group generates some operating cash flow from mining activities, the Magna Group was highly dependent on its ability to raise money through the capital markets. The funds raised were typically loaned to the Subsidiaries to fund operations. Monies were then transferred up from Molimentales to Magna as and when needed as repayment of intercompany loans.

21. On February 24, 2023, in advance of the Proposal Proceedings, Magna entered into a Funding Agreement with Molimentales (the "**Funding Agreement**"). Pursuant to the terms of the Funding Agreement, Molimentales agreed to fund all reasonable operating costs of Magna including, without limitation, the Canadian Insolvency Fees and Expenses (as defined in the Funding Agreement) and all employee and consultant related expenses,² as consideration for the continuation of the Services (as defined in the Funding Agreement). Accordingly, Magna expects to be funded during this proceeding by Molimentales.

III. MAGNA'S BUSINESS INTERESTS

22. As previously noted, substantially all of the Magna Group's assets are located outside of Canada with its principal projects being: (i) the San Francisco Project; (ii) the Mercedes Project; and (iii) the Margarita Project. The San Francisco Project is a producing property, while the

² These expenses include, without limitation, wages, vacation pay and benefits.

Mercedes Project and the Margarita Project are in the exploration and development stage. In addition to the foregoing projects, Magna has certain additional mineral projects that are, for the most part, in the exploration phase and subject to option agreements.

A. The San Francisco Project

23. On May 6, 2020, Magna closed the acquisition of Molimentales pursuant to a definitive share purchase agreement dated March 5, 2020, as amended April 24, 2020 between Timmins GoldCorp Mexico S.A. de C.V. and Magna. Molimentales owns a 100% interest in 13 mineral concessions along with the surrounding mineral concessions (the "**San Francisco Project**"). All of the concessions of the San Francisco Project are contiguous and each varies in size for a total property area of 33,667.72 hectares. All concessions of the San Francisco Project are subject to a bi-annual fee and the filing of reports in May of each year covering the work accomplished on the property between January and December of the preceding year.

24. The operation is comprised of two (2) previously mined open pits (San Francisco and La Chicharra) with heap leach processing facilities and associated infrastructure. The San Francisco Project is located in the north central portion of the Mexican state of Sonora, which borders on the American state of Arizona, and is approximately 150 kilometres north of the city of Hermosillo, the capital of Sonora.

B. The Mercedes Project

25. On June 6, 2019, Magna completed its qualifying transaction consisting of an option agreement dated September 25, 2018, pursuant to which Magna acquired an option to acquire a 100% undivided interest in two (2) mining claims (the "**Mercedes Project**") located in the

municipality of Yécora, Sonora, Mexico. The Mercedes Project consists of two (2) contiguous claims covering an aggregate area of approximately 345 hectares.

26. In consideration of the grant of the option agreement, Magna is agreed to: (i) pay to the optionor an aggregate of US\$1,340,000 plus VAT of 16%, paid in instalments up to forty-eight months, with the last instalment being US\$750,000; (ii) issue to the optionor a 3% NSR royalty, capped at US\$3,500,000 and subject to the right of Magna to acquire all 3% of the NSR at a price of US\$500,000 per percentage point, within the first three (3) years of commercial production of the Mercedes Project; and (iii) issue 2,442,105 common shares valued at US\$584,000. The common shares were issued on June 6, 2019.

27. As at March 16, 2023, Magna had paid US\$440,000 of the US\$1,340,000.

C. The Margarita Project

28. On November 17, 2020, Magna and Molimentales closed the acquisition of the option to acquire a 100% undivided interest in two (2) mineral concessions (the "**Margarita Project**") pursuant to a definitive option acquisition agreement with Sable Resources Ltd. ("**Sable**") and Exploraciones Sable, S. de R.L. de C.V., a wholly-owned subsidiary of Sable.

29. The Margarita Project covers 125.625 hectares and is located within the Municipality of Satevó, in Northern México, in the South-central part of the State of Chihuahua. The Margarita Project is located within the Sierra Madre Gold Belt 88 kilometres south of the state capital of Chihuahua in the Municipality of Satevo, State of Chihuahua, Mexico.

D. Additional Mineral Projects

30. On August 16, 2019, Magna completed the acquisition of the Las Marias project (the "**Las Marias Project**") and the Las Cabanas project (the "**Las Cabanas Project**"). The Las Marias Project consists of seven (7) mineral concessions covering 646 hectares adjacent to the Mercedes Project and the Las Cabanas Project consists of two (2) claims covering 248 hectares located approximately 10 kilometres southwest of the Mercedes Project.

31. On January 6, 2020, Magna entered into an exploration and option agreement (the "**San Judas Option Agreement**") pursuant to which Magna was granted an option (the "**San Judas Option**") to acquire a 100% undivided interest in two (2) mining claims (the "**San Judas Project**") for a five (5) year period. The San Judas Project consists of two (2) contiguous mining claims covering an aggregate area of approximately 2,806 hectares located in the municipality of Trincheras, Sonora, Mexico. In consideration of the grant of the San Judas Option, Magna is to: (i) pay to the optionors of the San Judas Project an aggregate of US\$1,680,000 plus VAT of 16%, paid in installments commencing on the effective date of the agreement and ending on the 60th month from the effective date; and (ii) grant to the optionors of the San Judas Project a 1.5% NSR royalty, which is capped at US\$1,500,000 and subject to the right of Magna to buy back the entire NSR royalty at a price of US\$500,000 per 0.5% at any time. As at March 16, 2023, Magna had made cash payments in the amount of US\$100,000 plus VAT under the San Judas Option Agreement.

32. On August 3, 2020, Magna entered into an option agreement (the "**Los Muertos Option Agreement**") pursuant to which Magna was granted an option to acquire a 100% undivided interest in the Los Muertos silver-gold project (the "**Los Muertos Project**") located in the

municipality of La Colorada, Sonora, Mexico. The Los Muertos Project is comprised of two (2) mineral concessions, covering 1,756 hectares. Under the terms of the Los Muertos Option Agreement, Magna can earn a 100% undivided interest in the Los Muertos Project by paying an aggregate amount of US\$425,000 plus VAT in five (5) annual installments commencing on August 3, 2020 and ending on August 3, 2024. As at March 16, 2023, Magna had made cash payments in the amount of US\$75,000 plus VAT under the Los Muertos Option Agreement.

33. On September 8, 2020, Magna entered into an exploration and option agreement (the "**La Fortuna Option Agreement**") pursuant to which Magna was granted an option to acquire a 100% undivided interest in three (3) mining claims (the "**La Fortuna Project**") for a four (4) year period. The La Fortuna Project consists of three (3) contiguous mining claims covering an aggregate area of approximately 196 hectares located approximately 150 kilometres east from the Sonora State capital, Hermosillo. Under the terms of the La Fortuna Option Agreement, Magna can earn a 100% undivided interest in the La Fortuna Project by paying an aggregate amount of US\$480,000 plus VAT in four (4) annual installments ending on September 8, 2024. As at March 16, 2023, Magna had made cash payments in the amount of US\$65,000 plus VAT under the La Fortuna Option Agreement.

IV. THE PROPOSAL PROCEEDINGS

34. Due to, among other things, the production of its operational projects, its cash position, forecast revenue, the COVID-19 pandemic and liquidity issues, the Magna Group has been unable to service its debt or meet certain of its other ordinary course obligations. As a result, and after careful consideration, on March 3, 2023, Magna filed the NOI and initiated the Proposal Proceedings. A copy of Magna's certification of filing the NOI is attached hereto as **Exhibit "C"**.

35. Concurrent with the NOI, Magna's indirect subsidiary Molimentales filed the Molimentales Application for restructuring and provisional creditor protection before the Mexican Court located in Mexico City, Mexico.

36. Magna's decision to file the NOI and initiate the Proposal Proceedings, as opposed to seeking relief under the CCAA from the outset, was driven in large part by timing requirements and interplay between Canadian and Mexican creditor relief laws and the need for immediate relief for Magna following the successful admission of the Molimentales Application in the Mexican Court. I understand from Vicente Bañuelos of Clyde & Co., Mexican counsel to Molimentales, that the Molimentales Proceedings are expected to last longer than six (6) months.

37. Since the commencement of the Proposal Proceedings, Magna, with the assistance of the Proposal Trustee, has been working diligently to, among other things, maintain the stability of its operating businesses, manage its relationships with key stakeholders, liaise with the TSXV, and comply with its obligations under the BIA. I understand that the Proposal Trustee will be filing the Report, which will further detail the activities of Magna and of the Proposal Trustee since the commencement of the Proposal Proceedings.

V. FINANCIAL POSITION OF THE APPLICANT

38. A copy of Magna's internally prepared unaudited balance sheet as at February 28, 2023 is attached hereto as **Exhibit "D"**.

A. Assets

39. As at February 28, 2023, Magna had total assets with a book value of approximately \$37.4 million. Magna's primary assets, as of February 28, 2023 comprised of the following:

Asset Type	Value
Current Assets: \$78,185	
Cash	\$12,201
VAT receivable	\$2,175
Prepaid expenses	\$63,809
Non-Current Assets: \$37,316,202	
Intercompany receivables	\$14,949,519
Investment in subsidiaries	\$22,366,683
Total	\$37,394,387

B. Liabilities

40. As at February 28, 2023, Magna had total liabilities of approximately \$11.8 million, consisting of the following:

Liability Type	Value
Current Liabilities: \$10,970,768	
Accounts payables	\$795,377
Accrued liabilities	\$494,723
Debentures	\$10,000,000
Debentures, transaction costs	\$(319,332)
Non-Current Liabilities: \$796,954	
Intercompany payables	\$796,954
Total	\$11,767,722

41. While the book value of Magna's assets exceeds the book value of its liabilities, the realizable value of the assets will only be known following the Molimentales Proceedings.

C. Secured Obligations

42. Attached hereto as **Exhibit "E"** are results from searches conducted against the Applicant under the *Personal Property Security Act*, R.S.O. 1990, c. P. 10, as amended on March 14, 2023 and under the *Personal Property Security Act* [RSBC 1996] Chapter 359 on March 17, 2023 (together, the "**March 2023 PPSA Results**"). Pursuant to the March 2023 PPSA Results, there are currently no registrations against the Applicant.

D. Convertible Debenture Financing with Delbrook Capital Advisors Inc.

43. On August 19, 2021, Magna closed an offering of convertible debentures (the "**Convertible Debentures**") for gross proceeds of \$10,000,000 (the "**Offering**") pursuant to two (2) Convertible Debenture Certificates (together, the "**Convertible Debenture Certificates**"). Pursuant to the Offering, Magna sold \$10,000,000 aggregate principal amount of the Convertible Debentures to funds managed by Delbrook Capital Advisors Inc. ("**Delbrook**"), a shareholder of Magna. Copies of the Convertible Debenture Certificates are attached hereto as **Exhibit "F"** and **Exhibit "G"**.

44. The Convertible Debentures are unsecured obligations that mature on August 19, 2023 (the "**Delbrook Maturity Date**"). The Convertible Debentures were to bear interest at a rate of 8.5% per annum until the security contemplated under the Convertible Debentures is delivered to the holders, at which time the Convertible Debentures would bear interest at a rate of 6.5% per annum – as of the date of this affidavit, the security has not been delivered to Delbrook.

45. The principal amount of the Convertible Debentures is convertible into common shares of Magna at the election of the holder at any time prior to the close of business on the last business day immediately preceding the Delbrook Maturity Date at a strike price of \$1.25, subject to adjustment in certain events. The interest on the Convertible Debentures is convertible, at the election of the holder, into Magna common shares.

46. Until the commencement of the Proposal Proceedings, Magna was making timely interest payments as required under the Convertible Debenture Certificates.

E. Other Unsecured Obligations and Claims

47. Along with the indebtedness described above, additional known unsecured creditors include:

- (a) *Third Party Suppliers* –Magna relies on a number of third party vendors and service provides, including professional advisors. Currently, Magna owes approximately \$855,000 in connection with same; and
- (b) *Employee Liabilities* – as discussed above, Magna's aggregate bi-monthly payroll is approximately \$39,000. In addition to its bi-monthly payroll obligations, Magna currently owes payroll arrears in the amount of approximately \$51,000 and, as of March 16, 2023, has an accrued vacation pay liability of approximately \$109,900.

VI. CONTINUATION OF THE PROPOSAL PROCEEDINGS UNDER THE CCAA

48. As previously noted, given Magna's urgent need for creditor protection to coordinate between Canadian and Mexican creditor relief laws, filing the NOI was determined to be the best

alternative in the circumstances. To permit the Applicant's business to continue operating as a going-concern and to protect whatever equity Magna may have which will only be known once the Molimentales Proceedings are advanced, the Applicant is now seeking the breathing space, flexibility and stability afforded by the CCAA. To this end, the Initial Order contemplates the continuation of the Proposal Proceedings under the CCAA pursuant to section 11.6 of the CCAA.

49. Pursuant to the BIA, under the Proposal Proceedings, Magna is required to make a proposal that is acceptable to its creditors within six (6) months of the filing of the NOI Filing Date. Given, among other things, the need to continue ordinary course operations, the expected duration of the Molimentales Proceedings (as is further discussed in paragraph 36 of this affidavit), and the uncertainty as to the value of Magna until those proceedings are advanced, it is expected that Magna will require more than six (6) months to develop its restructuring.

50. Absent a continuation of the Proposal Proceedings under the CCAA, a deemed bankruptcy would likely result which would be detrimental to Magna's creditors and other stakeholders.

51. With the benefit of the flexibility, stability and breathing space provided by the CCAA and the oversight and assistance of the Monitor, the Applicant intends to, among other things:

- (a) continue to operate its business in the ordinary course;
- (b) monitor and update the Court on the progress of the Molimentales Proceedings;
- (c) develop a go-forward business plan for the benefit of Magna's creditors and other stakeholders; and

- (d) evaluate the viability of presenting a plan of compromise or arrangement to the Applicant's creditors within the proposed CCAA proceedings.

52. I am advised that the Proposed Monitor supports the Applicant's application to continue the Proposal Proceedings under the CCAA.

VII. RELIEF SOUGHT

A. Stay of Proceedings

53. As set out above, Magna's liquidity constraints make it vulnerable to potential enforcement action from its creditors and it is currently unable to satisfy its obligations as they become due. Accordingly, the Applicant requires the Stay of Proceedings to maintain the *status quo* and thereby protect the value of its business. It would be detrimental to the Applicant's business if proceedings were commenced or continued or rights and remedies were executed against it. Absent the Stay of Proceedings, the Applicant will not be able to continue to operate its business.

54. The breathing room afforded by the Stay of Proceedings will permit the Applicant to continue to operate as a going-concern with minimal disruption to its ordinary course business operations. Additionally, the Applicant will be able to monitor the Molimentales Proceedings and explore various strategic alternatives with a view to maximizing stakeholder value.

55. In light of the foregoing, the Stay of Proceedings is in the best interests of the Applicant and its stakeholders. I understand that the Proposed Monitor believes that the Stay of Proceedings is appropriate in the circumstances.

B. Proposed Monitor

56. The proposed Initial Order contemplates that KSV will act as Monitor in the Applicant's proposed CCAA proceedings. I understand that KSV has consented to act as Monitor of the Applicant in the CCAA proceedings if the proposed Initial Order is granted. KSV is currently acting as Proposal Trustee in the Proposal Proceedings and, as such, is best suited and equipped to act as Monitor.

57. I understand that a copy of KSV's consent to act as Monitor will be attached to the Report to be filed separately with the Court.

C. Administration Charge

58. The proposed Initial Order provides for a Court-ordered priority charge over the Property in favour of the Monitor, as well the Monitor's and the Applicant's counsel, to secure payment of their respective fees and disbursements incurred in connection with services rendered in respect of the Applicant up to a maximum amount of \$300,000 (the "**Administration Charge**"). The Administration Charge is proposed to rank ahead of and have priority over the Directors' Charge.

59. The Applicant requires the expertise, knowledge and continued participation of the proposed beneficiaries of the Administration Charge during the pendency of the proposed CCAA proceedings in order to complete a successful restructuring. It is contemplated that each of the beneficiaries of the Administration Charge will:

- (a) have distinct roles in the Applicant's restructuring;
- (b) have extensive involvement throughout the proposed CCAA proceedings;

- (c) continue to contribute to the restructuring of Magna; and
- (d) ensure that there is no unnecessary duplication of roles among parties.

60. The quantum of the Administration Charge was determined by the Applicant, with the assistance of the Proposed Monitor. I believe that the Administration Charge is fair and reasonable in the circumstances. I understand that the Proposed Monitor is also of the view that the Administration Charge is fair and reasonable.

D. Directors' Charge

61. The success of the Applicant's restructuring will only be possible with the continued participation of the Directors and Officers. The Directors and Officers have specialized expertise and significant knowledge that cannot be easily replaced, making them essential to the viability of the Applicant's business and the preservation of its value.

62. I am advised by Sean Zweig of Bennett Jones LLP, counsel to the Applicant, and do verily believe that, in certain circumstances, directors and officers can be held liable for the obligations of a company, including obligations of a company owing to government entities, such as unremitted excise, sales, goods and services, and harmonized sales taxes. The Directors and Officers are beneficiaries under a liability insurance policy maintained by Magna, however, I understand that these types of policies have various exceptions, exclusions and carve-outs and that they may not provide sufficient coverage against the potential liability that the Directors and Officers could incur in connection with the proposed CCAA proceedings.

63. The Directors and Officers have expressed their desire for certainty with respect to their potential personal liability if they are to continue in their current capacities in the proposed CCAA

proceedings. Given the potential liabilities and the uncertainty surrounding available indemnities and insurance, the proposed Initial Order contemplates a priority charge over the Property in favour of the Directors and Officers up to a maximum amount of \$300,000 (the "**Directors' Charge**"). The Directors' Charge would serve as security for the indemnification obligations and potential liabilities the Directors and Officers will face in the CCAA proceedings.

64. The Applicant believes that the Directors' Charge is fair and reasonable in the circumstances. I understand that the Proposed Monitor is supportive of the Directors' Charge and its quantum.

E. Relief from Certain Securities Filing Requirements and in Respect of the AGM

65. As previously discussed in paragraph 11 of this affidavit, Magna is a reporting issuer with its common shares previously listed on the TSXV. Following the NOI, Magna's common shares were transferred to the NEX Board of the TSXV effective at the opening of market on March 8, 2023 and the trading symbol was changed from MGR to MGR.H. Magna also trades on the OTC Pink with the trading symbol MGLQF.

66. Given Magna's significant liquidity constraints, Magna has determined that directing further time and resources to securities reporting is not appropriate or practical at this time. Accordingly, Magna is seeking relief authorizing its decision to incur no further expenses in relation to any filings, disclosures, core or non-core documents, restatements, amendments to existing filings, press releases, financial reporting or any other actions that may be required by any federal, provincial or other law respecting securities or capital markets in Canada or the United States and other rules and policies of the TSXV, NEX Board or OTC Pink.

67. Additionally, the Applicant believes it would be a distraction and unnecessary expense for it to hold an AGM in the circumstances where it is subject to creditor protection. As a result, the Applicant is also seeking to be relieved of any obligation to call and hold an AGM until further Order of this Court.

68. I understand that the Proposed Monitor will post all Court materials, which will include Magna's cash flow projections and variance analyses, such that shareholders and other stakeholders will still have an uninterrupted access to, among other things, the Applicant's operational and financial information. This information will be made accessible at the following URL: <https://www.ksvadvisory.com/experience/case/magnagold>.

F. Cash Flow Forecast

69. With the assistance of the Proposed Monitor, the Applicant has conducted a cash flow analysis to determine the amount required to finance its ordinary course business operations, assuming the Initial Order is granted, over the 13-week period from March 13, 2023 to June 2, 2023 (the "**Cash Flow Forecast**"). I understand that the Cash Flow Forecast will be attached to the Report.

70. The Cash Flow Forecast demonstrates that if the relief sought under the proposed Initial Order is granted, the Applicant is expected to have sufficient liquidity to meet its ordinary course obligations over the initial period of these proposed CCAA proceedings without the need for debtor-in-possession financing.

71. If the Court is inclined to grant the proposed Initial Order, the Cash Flow Forecast also demonstrates that the Applicant is expected to have sufficient liquidity to meet its ordinary course

obligations without the need for debtor-in-possession financing through the proposed Stay Extension. As previously noted, the relief in connection with the Stay Extension will be sought at the Comeback Hearing.

VIII. CONCLUSION

72. In light of the Applicant's financial circumstances and the ongoing Molimentales Proceedings, I believe that the relief sought pursuant to the Initial Order is reasonable and appropriate in the circumstances. The proposed CCAA proceedings are the only viable means of restructuring the Applicant's business for the benefit of their stakeholders and the relief sought in the Initial Order is limited to what is reasonably necessary to stabilize the Applicant's business.

73. I swear this affidavit in support of the Initial Order and for no other or improper purpose.

SWORN BEFORE ME over)
videoconference on this 20th day of March,)
2023. The affiant was located in the City of)
Scottsdale, in the State of Arizona and the)
Commissioner was located in the City of)
Toronto, in the Province of Ontario. This)
affidavit was commissioned remotely as a)
result of COVID-19 and the declaration was)
administered in accordance with Ontario)
Regulation 431/20.)



AIDEN NELMS

A Commissioner for Oaths in and for the
Province of Ontario


LESLIE KAPUSIANYK

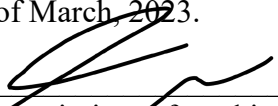
T

A

B

A

This is Exhibit "A" referred to in the affidavit of Leslie Kapusianyik affirmed before me at Toronto this 20th day of March, 2023.



A Commissioner for taking
Affidavits within Ontario
Aiden Nelms



Profile Report

MAGNA GOLD CORP. as of March 16, 2023

Act	Business Corporations Act
Type	Ontario Business Corporation
Name	MAGNA GOLD CORP.
Ontario Corporation Number (OCN)	2614593
Governing Jurisdiction	Canada - Ontario
Status	Active
Date of Incorporation	January 09, 2018
Registered or Head Office Address	82 Richmond Street East, Toronto, Ontario, Canada, M5C 1P1

Certified a true copy of the record of the Ministry of Public and Business Service Delivery.

V. Quintanilla W.

Director/Registrar

This report sets out the most recent information filed on or after June 27, 1992 in respect of corporations and April 1, 1994 in respect of Business Names Act and Limited Partnerships Act filings and recorded in the electronic records maintained by the Ministry as of the date and time the report is generated, unless the report is generated for a previous date. If this report is generated for a previous date, the report sets out the most recent information filed and recorded in the electronic records maintained by the Ministry up to the "as of" date indicated on the report. Additional historical information may exist in paper or microfiche format.

Active Director(s)

Minimum Number of Directors 1
Maximum Number of Directors 10

Name MIGUEL BONILLA
Address for Service 35 Calandria, Los Lagos, Hermosillo Sonora, Mexico, 83245
Resident Canadian No
Date Began September 15, 2020

Name FRANCISCO ARTURO BONILLAS ZEPEDA
Address for Service Paseo De Las Fuentes 25, Hermosillo Sonora, Mexico, 83200
Resident Canadian No
Date Began July 04, 2018

Name LAURA CRISTINA DIAZ
Address for Service 22 Av. Nuevo Leon, Alcaldia Cuauhtemoc Ciudad De Mexico
Piso 4, Ciudad De Mexico, Mexico, 06100
Resident Canadian No
Date Began September 15, 2020

Name PARVIZ FARSANGI
Address for Service 108 Maple Grove Drive, Oakville, Ontario, Canada, L6J 4V1
Resident Canadian Yes
Date Began September 15, 2020

Name COLIN SUTHERLAND
Address for Service 1901 Gottingen St., 802, Halifax, Nova Scotia, Canada, B3J
0C6
Resident Canadian Yes
Date Began November 23, 2018

Certified a true copy of the record of the Ministry of Public and Business Service Delivery.

V. Quintanilla W.

Director/Registrar

This report sets out the most recent information filed on or after June 27, 1992 in respect of corporations and April 1, 1994 in respect of Business Names Act and Limited Partnerships Act filings and recorded in the electronic records maintained by the Ministry as of the date and time the report is generated, unless the report is generated for a previous date. If this report is generated for a previous date, the report sets out the most recent information filed and recorded in the electronic records maintained by the Ministry up to the "as of" date indicated on the report. Additional historical information may exist in paper or microfiche format.

Name	ALEXANDER PETER TSAKUMIS
Address for Service	12333 English Avenue, 20, Richmond, British Columbia, Canada, V7E 6T2
Resident Canadian	Yes
Date Began	January 09, 2018

Certified a true copy of the record of the Ministry of Public and Business Service Delivery.

V. Quintanilla W.

Director/Registrar

This report sets out the most recent information filed on or after June 27, 1992 in respect of corporations and April 1, 1994 in respect of Business Names Act and Limited Partnerships Act filings and recorded in the electronic records maintained by the Ministry as of the date and time the report is generated, unless the report is generated for a previous date. If this report is generated for a previous date, the report sets out the most recent information filed and recorded in the electronic records maintained by the Ministry up to the "as of" date indicated on the report. Additional historical information may exist in paper or microfiche format.

Active Officer(s)

Name MIGUEL BONILLA
Position Chief Operating Officer
Address for Service 35 Calandria, Los Lagos, Hermosillo Sonora, Mexico, 83245
Date Began March 31, 2021

Name FRANCISCO ARTURO BONILLAS ZEPEDA
Position Chief Executive Officer
Address for Service Paseo De Las Fuentes 25, Hermosillo Sonora, Mexico, 83200
Date Began January 09, 2018

Name LESLIE KAPUSIANYK
Position Secretary
Address for Service 3772 West 23rd Avenue, Vancouver, British Columbia, Canada, V6S 1K7
Date Began December 16, 2020

Name AMANDIP SINGH
Position Vice-President
Address for Service 28 Collingham Place, Markham, Ontario, Canada, L6B 0G4
Date Began June 01, 2021

Name COLIN SUTHERLAND
Position Chief Financial Officer
Address for Service 1901 Gottingen St., 802, Halifax, Nova Scotia, Canada, B3J 0C6
Date Began January 27, 2021

Certified a true copy of the record of the Ministry of Public and Business Service Delivery.

V. Quintanilla W.

Director/Registrar

This report sets out the most recent information filed on or after June 27, 1992 in respect of corporations and April 1, 1994 in respect of Business Names Act and Limited Partnerships Act filings and recorded in the electronic records maintained by the Ministry as of the date and time the report is generated, unless the report is generated for a previous date. If this report is generated for a previous date, the report sets out the most recent information filed and recorded in the electronic records maintained by the Ministry up to the "as of" date indicated on the report. Additional historical information may exist in paper or microfiche format.

Corporate Name History

Name

Effective Date

MAGNA GOLD CORP.

January 09, 2018

Certified a true copy of the record of the Ministry of Public and Business Service Delivery.

V. Quintanilla W.

Director/Registrar

This report sets out the most recent information filed on or after June 27, 1992 in respect of corporations and April 1, 1994 in respect of Business Names Act and Limited Partnerships Act filings and recorded in the electronic records maintained by the Ministry as of the date and time the report is generated, unless the report is generated for a previous date. If this report is generated for a previous date, the report sets out the most recent information filed and recorded in the electronic records maintained by the Ministry up to the "as of" date indicated on the report.

Additional historical information may exist in paper or microfiche format.

Active Business Names

This corporation does not have any active business names registered under the Business Names Act in Ontario.

Certified a true copy of the record of the Ministry of Public and Business Service Delivery.

V. Quintanilla W.

Director/Registrar

This report sets out the most recent information filed on or after June 27, 1992 in respect of corporations and April 1, 1994 in respect of Business Names Act and Limited Partnerships Act filings and recorded in the electronic records maintained by the Ministry as of the date and time the report is generated, unless the report is generated for a previous date. If this report is generated for a previous date, the report sets out the most recent information filed and recorded in the electronic records maintained by the Ministry up to the "as of" date indicated on the report. Additional historical information may exist in paper or microfiche format.

Expired or Cancelled Business Names

This corporation does not have any expired or cancelled business names registered under the Business Names Act in Ontario.

Certified a true copy of the record of the Ministry of Public and Business Service Delivery.

V. Quintanilla W.

Director/Registrar

This report sets out the most recent information filed on or after June 27, 1992 in respect of corporations and April 1, 1994 in respect of Business Names Act and Limited Partnerships Act filings and recorded in the electronic records maintained by the Ministry as of the date and time the report is generated, unless the report is generated for a previous date. If this report is generated for a previous date, the report sets out the most recent information filed and recorded in the electronic records maintained by the Ministry up to the "as of" date indicated on the report. Additional historical information may exist in paper or microfiche format.

Document List

Filing Name	Effective Date
CIA - Notice of Change PAF: Will EDWARDS	January 07, 2022
CIA - Notice of Change PAF: MARK OWEN - OTHER	June 29, 2021
CIA - Notice of Change PAF: FRANCISCO ARTURO BONILLAS ZEPEDA - DIRECTOR	September 25, 2020
Annual Return - 2020 PAF: CARMELO MARRELLI - DIRECTOR	September 06, 2020
Annual Return - 2019 PAF: CARMELO MARRELLI - DIRECTOR	January 05, 2020
Annual Return - 2018 PAF: CARMELO MARRELLI - DIRECTOR	January 05, 2020
CIA - Notice of Change PAF: DENNIS H. PETERSON - OTHER	November 15, 2019
CIA - Notice of Change PAF: HUGH FERREIRA - OTHER	December 05, 2018
BCA - Articles of Amendment	May 15, 2018
BCA - Articles of Incorporation	January 09, 2018

All "PAF" (person authorizing filing) information is displayed exactly as recorded in the Ontario Business Registry. Where PAF is not shown against a document, the information has not been recorded in the Ontario Business Registry.

Certified a true copy of the record of the Ministry of Public and Business Service Delivery.

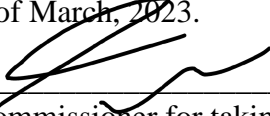
V. Quintanilla W.

Director/Registrar

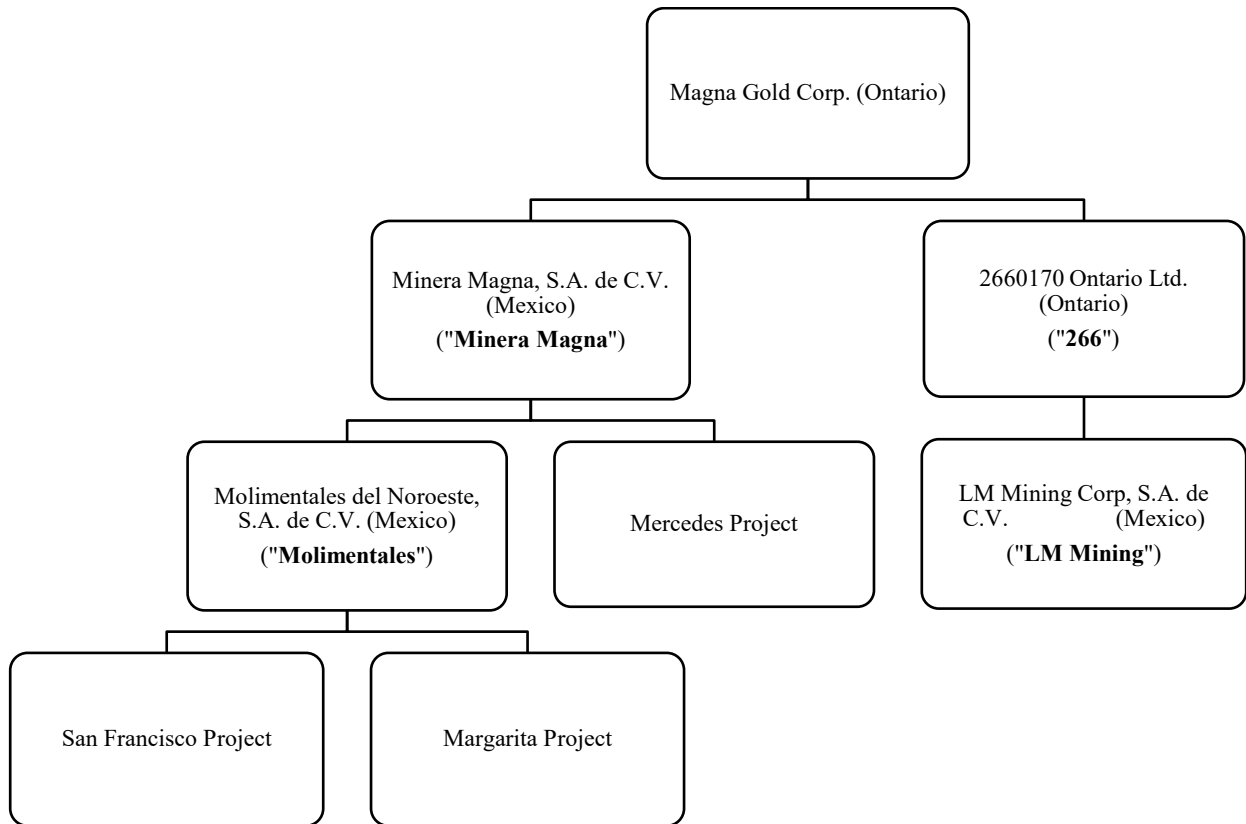
This report sets out the most recent information filed on or after June 27, 1992 in respect of corporations and April 1, 1994 in respect of Business Names Act and Limited Partnerships Act filings and recorded in the electronic records maintained by the Ministry as of the date and time the report is generated, unless the report is generated for a previous date. If this report is generated for a previous date, the report sets out the most recent information filed and recorded in the electronic records maintained by the Ministry up to the "as of" date indicated on the report. Additional historical information may exist in paper or microfiche format.

**T
A
B
B**

This is Exhibit "B" referred to in the affidavit of Leslie Kapusianyik affirmed before me at Toronto this 20th day of March, 2023.

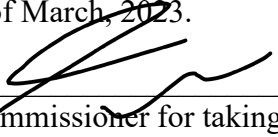


A Commissioner for taking
Affidavits within Ontario
Aiden Nelms



**T
A
B
C**

This is Exhibit "C" referred to in the affidavit of Leslie Kapusianyik affirmed before me at Toronto this 20th day of March, 2023.



A Commissioner for taking
Affidavits within Ontario
Aiden Nelms



Industry Canada
Office of the Superintendent
of Bankruptcy Canada

Industrie Canada
Bureau du surintendant
des faillites Canada

District of Ontario
Division No. 09 - Toronto
Court No. 31-2917856
Estate No. 31-2917856

In the Matter of the Notice of Intention to make a proposal of:

Magna Gold Corp.

Insolvent Person

KSV RESTRUCTURING INC.

Licensed Insolvency Trustee

Date of the Notice of Intention:

March 03, 2023

CERTIFICATE OF FILING OF A NOTICE OF INTENTION TO MAKE A PROPOSAL
Subsection 50.4 (1)

I, the undersigned, Official Receiver in and for this bankruptcy district, do hereby certify that the aforementioned insolvent person filed a Notice of Intention to Make a Proposal under subsection 50.4 (1) of the Bankruptcy and Insolvency Act;

Pursuant to subsection 69. (1) of the Act, all proceedings against the aforementioned insolvent person are stayed as of the date of filing of the Notice of Intention.

Date: March 03, 2023, 12:32

E-File/Dépôt Electronique

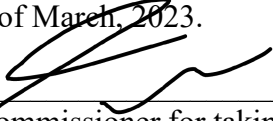
Official Receiver

151 Yonge Street, 4th Floor, Toronto, Ontario, Canada, M5C2W7, (877)376-9902

Canada

**T
A
B
D**

This is Exhibit "D" referred to in the affidavit of Leslie Kapusianyik affirmed before me at Toronto this 20th day of March, 2023.



A Commissioner for taking
Affidavits within Ontario
Aiden Nelms

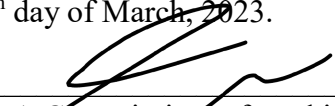
Magna Gold Corp.**Balance Sheet at February 28, 2023**

Expressed in Canadian Dollars (Unaudited)

Assets	
Current	
Cash	\$ 12,201
VAT receivable	2,175
Prepaid expenses	63,809
Total current assets	78,185
Non-current	
Intercompany receivables	14,949,519
Investment in subsidiaries	22,366,683
Total non-current liabilities	37,316,202
Total assets	\$ 37,394,387
Liabilities	
Current	
Accounts payables	795,377
Accrued liabilities	494,723
Debentures	10,000,000
Debentures, transaction costs	(319,332)
Total current liabilities	10,970,768
Non-current	
Intercompany payables	796,954
Total non-current	796,954
Total liabilities	11,767,722
Equity	
Share capital	30,622,674
Share based payment reserve - options	6,127,958
Share based payment reserve - warrants	426,120
Deficit	(11,550,087)
Total equity	25,626,665
Total liabilities and equity	\$ 37,394,387

T A B L E

This is Exhibit "E" referred to in the affidavit of Leslie Kapusianyik affirmed before me at Toronto this 20th day of March, 2023.



A Commissioner for taking
Affidavits within Ontario

Aiden Nelms

Business Debtor - "Magna Gold Corp."

Search Date and Time: March 17, 2023 at 6:34:27 am Pacific time
Account Name: Not available.

NIL RESULT

0 Matches in 0 Registrations in Report

Exact Matches: 0 (*)

Total Search Report Pages: 0

The search returned a NIL result. 0 registrations were found.

No registered liens or encumbrances have been found on file that match EXACTLY to the search criteria listed above and no similar matches to the criteria have been found.



MINISTRY OF CONSUMER AND BUSINESS SERVICES
PERSONAL PROPERTY SECURITY REGISTRATION SYSTEM
ENQUIRY RESPONSE

THIS IS TO CERTIFY THAT A SEARCH HAS BEEN MADE IN THE RECORDS OF THE
CENTRAL OFFICE OF THE PERSONAL PROPERTY SECURITY SYSTEM IN RESPECT
OF THE FOLLOWING:

TYPE OF SEARCH: BUSINESS DEBTOR

CONDUCTED ON: Magna Gold Corp.

FILE CURRENCY: March 12, 2023

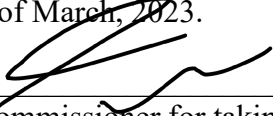
ENQUIRY CONTAINS 0 PAGES, 0 FAMILY(IES).

NO REGISTRATIONS ARE REPORTED IN THIS ENQUIRY RESPONSE.

THE ABOVE REPORT HAS BEEN CREATED BASED ON THE DATA PROVIDED BY
THE PERSONAL PROPERTY REGISTRATION BRANCH, MINISTRY OF CONSUMER
AND BUSINESS SERVICES, GOVERNMENT OF ONTARIO. NO LIABILITY IS
UNDERTAKEN REGARDING ITS CORRECTNESS, COMPLETENESS, OR THE
INTERPRETATION AND USE THAT ARE MADE OF IT.

**T
A
B
F**

This is Exhibit "F" referred to in the affidavit of Leslie Kapusianyik affirmed before me at Toronto this 20th day of March, 2023.



A Commissioner for taking
Affidavits within Ontario
Aiden Nelms

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THE SECURITIES REPRESENTED HEREBY, AND THE SECURITIES INTO WHICH SUCH SECURITIES ARE CONVERTIBLE, WILL NOT TRADE SUCH SECURITIES BEFORE DECEMBER 20, 2021.

Issue Date: August 19, 2021
Certificate No.: 1

Principal Amount \$8,250,000

CONVERTIBLE DEBENTURE

MAGNA GOLD CORP.

A corporation existing under the laws of the Province of Ontario

**ARTICLE 1
INTERPRETATION**

1.1 Definitions

In this Debenture, the following expressions shall have the following meanings, namely:

- (a) **"Affiliate"** has the meaning ascribed to such term in the OBCA;
- (b) **"Business Day"** means a day other than a Saturday, Sunday or any other day on which the principal chartered banks located in Toronto, Ontario and Vancouver, British Columbia are not open for normal banking business;
- (c) **"Change of Control"** means the occurrence of any of the following:
 - (i) any transaction (whether by purchase, merger or otherwise) following which any person, or group of persons "acting jointly or in concert" within the meaning of applicable Canadian securities laws, directly or indirectly acquire(s) the right to cast, at a general meeting of shareholders of the Corporation, more than 50% of the votes that may be ordinarily cast at a general meeting of the Corporation;
 - (ii) the Corporation amalgamates, consolidates or merges with or into any other person, or any merger of another person into the Corporation, unless the holders of voting securities of the Corporation immediately prior to such amalgamation, consolidation or merger hold securities representing 50% or more of the voting control or direction in the Corporation or the successor entity upon completion of the amalgamation, consolidation or merger; or
 - (iii) any conveyance, transfer, sale, lease or other disposition of all or substantially all of the Corporation's and the Corporation's subsidiaries' assets and properties, taken as a whole, to another arm's length person;

- (d) "**Change of Control Offer**" has the meaning ascribed in Section 2.2;
- (e) "**Common Shares**" means the common shares in the capital of the Corporation listed on the TSXV under the symbol "MGR";
- (f) "**Conversion Price**" has the meaning ascribed in Section 4.5;
- (g) "**Corporation**" means Magna Gold Corp., a corporation existing under the laws of the Province of Ontario;
- (h) "**Debenture**" or "**Debentures**" means, as the context requires, this instrument issued to the Holder of convertible debentures of the Corporation;
- (i) "**Forward Sale Transaction**" means a forward sale of a quantity of metal or other commodity (allocated or unallocated) at a fixed price where the purchase price (or any substantial part thereof) is paid prior to the date on which such metal or commodity (allocated or unallocated) is to be delivered;
- (j) "**Holder**" has the meaning ascribed in Section 2.1;
- (k) "**Interest**" means
 - (i) prior to the Security Delivery Date, the Pre-Security Interest, and
 - (ii) following the Security Delivery Date (on or before September 30, 2021 (or such later date as agreed to by the Holder and the Corporation)), the Post-Security Interest;
- (l) "**Interest Conversion Price**" means the last closing price of the Common Shares on the TSXV, or such other stock exchange on which the Common Shares shall be listed and posted for trading, on the day prior to the issuance of the applicable news release by the Corporation announcing the conversion of any Interest payable hereunder into Common Shares in accordance with Section 4.1, subject to adjustment in accordance with Section 4.5;
- (m) "**Interest Payment Date**" means the last day of each month in each year commencing on September 30, 2021, as well as the Security Delivery Date, the Maturity Date, and the date on which this Debenture is converted or redeemed, whichever is earlier;
- (n) "**Issue Date**" means August 19, 2021;
- (o) "**Lien**" means any mortgage, pledge, lien, assignment by way of security, charge, security interest, trust arrangement in the nature of a security interest, conditional sale or other title retention agreement, equipment trusts, lease financings including by way of sale and lease-back, hypothec, levy, execution, seizure, attachment, garnishment, any option, preferential right or adverse claim constituting an interest in such property, or any other encumbrance in respect of such property.

- (p) "**Make-Whole Amount**" means an amount equal to the aggregate remaining scheduled Interest payments that would have been made by the Corporation in respect of the portion of the Principal Amount being converted under this Debenture pursuant to Section 4.1(a) from the applicable conversion date until the Maturity Date;
- (q) "**Material Adverse Effect**" means a material adverse effect (or a series of adverse effects, none of which is material in and of itself but which, cumulatively, result in a material adverse effect) on:
- (i) the business, operations, results of operations, assets, liabilities (contingent or otherwise), condition (financial or otherwise) or cash flows of the Obligor considered as a whole;
 - (ii) the ability of the Corporation to perform its Obligations when due under the Transaction Documents to which it is a party; or
 - (iii) the ability of the Holder to enforce its rights under any Transaction Document;
- excluding in all cases a change in commodity prices;
- (r) "**Maturity Date**" means August 19, 2023;
- (s) "**Molimentales**" has the meaning ascribed in Section 7.1(a);
- (t) "**OBCA**" means the *Business Corporations Act* (Ontario);
- (u) "**Obligations**" means all indebtedness, liabilities, and obligations of the Corporation under this Debenture and the other Transaction Documents to which it is a party;
- (v) "**Obligors**" means, collectively, the Corporation and Molimentales, and "**Obligor**" means any one of them;
- (w) "**Official Body**" means any supra-national (such as the European Union and the European Central Bank), national, state, provincial or municipal government or government of any political subdivision thereof, or any agency, authority, board, central bank, monetary authority, commission, department or instrumentality thereof, or any court, tribunal, grand jury, mediator, arbitrator or referee, whether foreign or domestic;
- (x) "**Permitted Indebtedness**" means:
- (i) the Obligations;
 - (ii) indebtedness owing to SA Targeted Investing Corp. (including its successors and assigns), provided that such indebtedness, including any guarantee or indemnity granted by Molimentales in favour of SA Targeted Investing Corp.;

- (iii) indebtedness owing to Auramet International LLC (including its successors and assigns) provided that such indebtedness is not in excess of a principal amount of \$4,000,000;
- (iv) indebtedness owing to Inmobiliaria y Hotelera Los Algodones, S.A. de C.V. in respect of an embargo ordered by the Fourth Mercantile Judge based in Hermosillo, State of Sonora, Mexico, as recorded on March 15, 2013 under Entry 113, at Page 62, Volume 22 of the Mining Acts, Contracts and Agreements Book of the Public Registry of Mining;
- (v) indebtedness owing to Jose Eulogio Rodriguez Barraza in respect of an assignment of rights agreement dated December 2, 2014, between Jose Eulogio Rodriguez Barraza, as assignor, and Molimentales, as assignee;
- (vi) indebtedness with respect to credit cards not exceeding \$100,000 at any time;
- (vii) indebtedness comprised of trade payables and other accrued liabilities in the ordinary course of business, which are either not overdue or, if disputed and in that case whether or not overdue, are being contested in good faith by the Corporation by appropriate proceedings diligently conducted;
- (viii) any indebtedness under capital leases and purchase money obligations, provided that the aggregate capital value of all such items so leased or purchased under or in respect of such capital leases and purchase money obligations do not exceed \$25,000,000 for the Obligor on a consolidated basis at any time;
- (ix) indebtedness owed by an Obligor to another Obligor;
- (x) indebtedness at any particular time in respect of bonds, letters of credit or bank guarantees in favour of a public utility or any other Official Body when required by such utility or Official Body in connection with the operations of an Obligor (including for the reclamation or remediation of mining properties), all in the ordinary course of business;
- (xi) indebtedness pursuant to Risk Management Agreements;
- (xii) any indebtedness approved by the Holder that is postponed to the Obligations, such consent not to be unreasonably withheld;
- (xiii) any guarantee or indemnity in respect of Permitted Indebtedness;

- (xiv) any indebtedness relating to employee benefit plans or compensation entered into in the ordinary course of business, consistent with past practices and provided always that such indebtedness is not overdue;
 - (xv) any other indebtedness which the Holder agrees in writing is Permitted Indebtedness for the purposes of this Debenture; and
 - (xvi) indebtedness of the Obligors on a consolidated basis, not otherwise permitted under clauses (i) to (xiii), above, which in the aggregate at any given time does not exceed \$1,000,000;
- (y) **"Permitted Liens"** means any one or more of the following with respect to the property and assets of the Obligors:
- (i) (A) any Lien permitted pursuant to the Transaction Documents, and (B) any Lien granted in favour of the Holder from time to time;
 - (ii) Liens for taxes, assessments or governmental charges or levies not at the time due or delinquent or the validity of which are being contested in good faith by appropriate proceedings and as to which reserves are being maintained in accordance with IFRS;
 - (iii) the Lien of any judgment rendered or the Lien of any claim filed which is being contested in good faith by appropriate proceedings and as to which reserves are being maintained in accordance with IFRS;
 - (iv) Liens and charges incidental to construction or current operations which have not at such time been filed pursuant to law or which relate to obligations not due or delinquent or the validity of which are being contested in good faith by appropriate proceedings and as to which reserves are being maintained in accordance with IFRS;
 - (v) restrictions, easements, rights-of-way, servitudes or other similar rights in land granted to or reserved by other persons which in the aggregate do not materially impair the usefulness, in the operation of the business of any Obligor, of the property subject to such restrictions, easements, rights-of-way, servitudes or other similar rights in land granted to or reserved by other persons;
 - (vi) the right reserved to or vested in any municipality or governmental or other public authority or Official Body by the terms of any lease, licence, franchise, grant or permit acquired by any Obligor or by any statutory provision, to terminate any such lease, licence, franchise, grant or permit, or to require annual or other payments as a condition to the continuance thereof;

- (vii) the Lien resulting from the deposit of cash or securities (A) in connection with contracts, tenders or expropriation proceedings, or (B) to secure workers' compensation, surety or appeal bonds, letters of credit, costs of litigation when required by law and public and statutory obligations, or (C) in connection with the discharge of Liens or claims incidental to construction and mechanics', warehouseman's, carriers' and other similar liens or construction and mechanics' and other similar Liens arising in the ordinary course of business;
- (viii) security given to a public utility or other Official Body when required by such utility or other Official Body in connection with the operations of any Obligor, all in the ordinary course of business;
- (ix) the reservations, limitations, provisos and conditions, if any, expressed in any original patents or grants from any Official Body;
- (x) title defects or irregularities which are of a minor nature and in the aggregate will not materially impair the use of the property for the purpose for which it is held;
- (xi) applicable municipal and other governmental restrictions affecting the use of land or the nature of any structures which may be erected thereon, provided such restrictions have been complied with and will not materially impair the use of the property for the purpose for which it is held;
- (xii) Liens securing indebtedness arising under clauses (i), (vii) (for the avoidance of doubt such Liens shall only be permitted on the assets financed pursuant to such capital leases and/or purchase money indebtedness), (xi), and (xvi) of the definition of Permitted Indebtedness;
- (xiii) Liens granted to SA Targeted Investing Corp. (including its successors and assigns) securing indebtedness arising under clause (ii) of the definition of Permitted Indebtedness;
- (xiv) Liens granted to Auramet International LLC (including its successors and assigns) securing indebtedness arising under clause (iii) of the definition of Permitted Indebtedness;
- (xv) Liens granted to Inmobiliaria y Hotelera Los Algodones, S.A. de C.V. (including its successors and assigns) securing indebtedness arising under clause (iv) of the definition of Permitted Indebtedness;
- (xvi) Liens granted to Jose Eulogio Rodriguez Barraza (including his successors and assigns) securing indebtedness arising under clause (v) of the definition of Permitted Indebtedness;

- (xvii) the extension, renewal or refinancing of any Permitted Lien, provided that the amount so secured does not exceed the original amount secured immediately prior to such extension, renewal or refinancing and the Lien is not extended to any additional property;
 - (xviii) Liens on minerals or the proceeds of sale of such minerals arising or granted pursuant to a processing or refining arrangement entered into in the ordinary course and upon usual market terms, securing the payment of any Obligor's portion of the fees, costs and expenses attributable to the processing or refining of such minerals under any such processing arrangement, but only insofar as such Liens relate to obligations which are at such time not past due; and
 - (xix) any other Lien consented to in writing from time to time by the Holder, acting reasonably;
-
- (z) "**person**" includes an individual, corporation, partnership, unincorporated syndicate, unincorporated organization, trust, trustee, executor, administrator, or other legal representative, or any group or combination thereof;
 - (aa) "**Post-Security Interest**" has the meaning ascribed in Section 3.1(b);
 - (bb) "**Prepayment Notice**" has the meaning ascribed in Section 5.1(b);
 - (cc) "**Pre-Security Interest**" has the meaning ascribed in Section 3.1(a);
 - (dd) "**Principal Amount**" has the meaning ascribed in Section 2.1;
 - (ee) "**Principal Conversion Price**" means \$1.25 per Common Share, as may be adjusted from time to time pursuant to Section 4.5;
 - (ff) "**Principal Office**" means the principal office of the Corporation located at 902-18 King Street East, Toronto, Ontario, M5C 1C4, provided that the Corporation may change its principal office address by delivering written notice of such change to the Holder;
 - (gg) "**Risk Management Agreements**" means any present or future swap, hedging, foreign exchange or other derivative transaction entered into by any Obligor which constitutes any silver, gold or other commodity hedging transaction (including any Forward Sale Transaction), spot or forward foreign exchange transaction, interest rate swap transaction, currency swap transaction, forward rate transaction, rate cap transaction, rate floor transaction, rate collar transaction, and any other exchange or rate protection transaction, any combination of such transactions or any option with respect to any such transaction entered into by any Obligor;
 - (hh) "**Security**" has the meaning ascribed in Section 7.1;

- (ii) "**Security Delivery Date**" means the date, on or before September 30, 2021, on which the Corporation delivers, or cause to be delivered, the Security to the Holder;
- (jj) "**Share Reorganization**" has the meaning ascribed in Section 4.5(a);
- (kk) "**Term Sheet**" means the term sheet of the Corporation attached as a schedule to the subscription agreement entered into between the Corporation and the Holder with respect to the Holder's purchase of Debentures;
- (ll) "**Transaction Documents**" means, collectively, this Debenture, the Security, if any, and any other agreement or documents delivered in connection herewith and therewith.
- (mm) "**TSXV**" means the TSX Venture Exchange; and
- (nn) "**Withholding Taxes**" has the meaning ascribed in Section 3.2.

1.2 Currency

Unless otherwise indicated herein, "\$" or "dollars" shall refer to lawful currency of Canada.

ARTICLE 2 PROMISE TO PAY

2.1 Indebtedness

The Corporation, for value received, hereby acknowledges itself indebted and promises and covenants to pay to Gundyco ITF a/c 515-00848-29 having an address at 4th Floor, Harbour Place, 103 South Church Street, Grand Cayman, KY1-1002, Cayman Islands as nominee for Delbrook Resource Opportunities Master Fund LP (including any of its successors and permitted assigns, the "**Holder**"):

- (a) unless earlier converted, the principal sum of \$8,250,000 (the "**Principal Amount**") in cash on the Maturity Date or upon such other date as specified herein at the Corporation's Principal Office;
- (b) interest on any monies owing by the Corporation to the Holder hereunder, including the Make-Whole Amount, if any, all as specifically calculated hereunder; and
- (c) all other monies which may be owing by the Corporation to the Holder pursuant to this Debenture.

2.2 Change of Control

Not less than 30 days prior to the consummation of a Change of Control of the Corporation, the Corporation shall notify the Holder of the Change of Control, and the Holder shall, in their sole discretion, have the right to require the Corporation to either: (a) redeem the Debentures at 100% of the Principal Amount then outstanding plus unpaid interest to the Maturity Date; or (b) if the Change of Control results in a new issuer, to convert the Debentures into replacement debentures of such new issuer in a principal

amount equal to 101% of the Principal Amount of the Debentures then outstanding, on substantially equivalent terms to those terms contained herein (the "**Change of Control Offer**"). If the Holder wishes to accept such Change of Control Offer, it may do so by written notice to the Corporation, at any time prior to the close of business on the day that is five Business Days prior to the scheduled effective date of the consummation of such Change of Control, which notice shall indicate the Holder's election with respect to the Change of Control Offer. If the Holder elects to have the Corporation redeem the Debenture (including all Interest that would have accrued thereon to the Maturity Date), the Corporation shall pay the redemption amount (being the entire outstanding Principal Amount, together with all Interest on such Principal Amount that would have accrued thereon to the Maturity Date) no later than the scheduled effective date of the consummation of such Change of Control transaction. If the Holder elects to have the Corporation convert the Debentures (including all Interest that would have accrued thereon to the Maturity Date), the provisions of Article 4 shall apply, mutatis mutandis, so that the Holder can participate in the Change of Control transaction along with the other holders of Common Shares.

ARTICLE 3 INTEREST

3.1 Calculation and Payment of Interest, etc.

The Corporation shall pay interest on each Interest Payment Date, in arrears, on that portion of the Principal Amount outstanding from time to time, which shall accrue as follows:

- (a) following the Issue Date and up to and including the Security Delivery Date (provided that such Security Delivery Date occurs on or before September 30, 2021 (or such later date as agreed by the Corporation and the Holder)) or the date of repayment or conversion in the entirety of the Principal Amount in accordance with the terms hereof, whichever is earlier, at the rate of 8.5% per annum, calculated on the basis of a 360-day year composed of twelve 30-day months (the "**Pre-Security Interest**"); and
- (b) following the Security Delivery Date (provided that such Security Delivery Date occurs on or before September 30, 2021 (or such later date as agreed by the Corporation and the Holder)), at the rate of 6.5% per annum, calculated on the basis of a 360-day year composed of twelve 30-day months (the "**Post-Security Interest**"), up to and including the date of repayment or conversion in the entirety of the Principal Amount in accordance with the terms hereof.

The first Interest Payment Date will include interest payable from the Issue Date. For greater certainty, if the Security is not delivered to the Holder on or before September 30, 2021 (or such later date as agreed by the Corporation and the Holder), then Pre-Security Interest will continue to accrue on the Principal Amount outstanding from time to time and be payable by the Corporation until the date of repayment or conversion in the entirety of the Principal Amount, in accordance with the terms hereof.

3.2 Methods of Paying Interest

The Corporation shall satisfy its obligations to pay accrued and outstanding Interest on the Principal Amount in cash by sending payment of such interest by electronic transfer of funds or such other means

as may be agreed to by the Holder, payable to the order of the Holder not later than the close of business on the applicable Interest Payment Date, or, at the election of the Holder and subject to Article 4 herein, by issuing to the Holder that number of Common Shares equal to (x) the amount of accrued and outstanding Interest payable on such Interest Payment Date divided by (y) the Interest Conversion Price.

3.3 Taxation

All payments made by or on behalf of the Corporation under or with respect to the Debentures (including, without limitation, any penalties, interest and other liabilities related thereto) will be made free and clear of and without withholding, or deduction for, or on account of, any present or future tax, duty, levy, impost, assessment or other governmental charge (including, without limitation, penalties, interest and other liabilities related hereto) imposed or levied by or on behalf of the Government of Canada, the United States, Mexico or any other jurisdiction, or of any state, province or territory thereof or by any authority or agency therein or thereof having power to tax ("**Withholding Taxes**"), unless the Corporation is required by law or the interpretation or administration thereof, to withhold or deduct any amounts for, or on account of Withholding Taxes. If the Corporation is so required to withhold or deduct any amount for, or on account of, Withholding Taxes from any payment made under or with respect to the Debentures, the Corporation shall deduct and withhold such Withholding Taxes from any payment to be made or with respect to the Debentures and, provided that the Corporation forthwith remits such amount to the relevant governmental authority or agency, the amount of any such deduction or withholding will be considered an amount paid in satisfaction of the Corporation's obligations under the Debentures. There is no obligation on the Corporation to gross-up or pay additional amounts to a holder of Debentures in respect of such deductions or withholdings. For greater certainty, if any amount is required to be deducted or withheld in respect of Withholding Taxes upon the delivery of Common Shares pursuant to this Debenture (including the issuance of Common Shares in satisfaction of any Interest and upon a conversion of a Debenture), the Corporation shall be entitled to liquidate on behalf of the Holder such number of Common Shares (or other securities) issuable as a result of such Interest payment obligation or conversion as shall be necessary in order to satisfy such requirement. The Corporation shall provide the Holder with copies of receipts or other communications relating to the remittance of such withheld amount or the filing of any forms received from such government authority or agency promptly after receipt thereof. If the Holder receives a refund of any Withholding Taxes with respect to which the Corporation has paid any additional amount under this Section 3.2, the Holder shall pay over such refund to the Corporation.

3.4 No Merger In Judgement

The covenant of the Corporation to pay interest at the rate provided herein shall not merge in any judgement in respect of any obligation of the Corporation hereunder and such judgement shall bear interest in the manner set out in this Article 3 and be payable on the same days when interest is payable hereunder.

ARTICLE 4
CONVERSION OF DEBENTURE

4.1 Conversion by Holder

Subject to the rules, policies and approval of the TSXV and to the provisions and conditions of this Article 4, at the option of the Holder:

- (a) at any time after the Issue Date and prior to the close of business on the last Business Day immediately preceding the Maturity Date, the Holder may elect to convert all, or a portion of the outstanding Principal Amount (including any accrued and unpaid Interest) into: (i) such number of Common Shares as is equal to (x) the outstanding Principal Amount divided by (y) the Principal Conversion Price then in effect; and (ii) either (A) a cash payment from the Corporation in an amount equal to the Make-Whole Amount, or, (B) such number of Common Shares as is equal to (x) the Make-Whole Amount divided by (y) the applicable Interest Conversion Price;
- (b) at any time after the Issue Date and no less than 15 days prior an Interest Payment Date (other than the Maturity Date), if the Holder wishes to receive Interest payments payable by the Corporation in accordance with Section 3.1 in Common Shares, the Holder may elect to convert Interest payable on any Interest Payment Date into such number of Common Shares as is equal to (x) the amount of accrued and outstanding Interest payable on such Interest Payment Date divided by (y) the applicable Interest Conversion Price;

in each case subject to adjustment in certain events as described herein.

4.2 Manner of Conversion

- (a) If the Holder wishes to convert any outstanding Principal Amount (including any accrued and unpaid Interest) of this Debenture into Common Shares, in accordance with Section 4.1(a), the Holder shall surrender this Debenture certificate to the Corporation at its Principal Office prior to the close of business on the last Business Day immediately preceding the Maturity Date together with written notice to the Corporation, duly executed by the Holder or its duly appointed attorney (substantially in the form of Schedule "A", attached hereto), stating (i) that the Holder irrevocably elects to convert all or a portion of the outstanding Principal Amount in accordance with the provisions of 4.1(a), (ii) the Principal Amount being converted, (iii) the Make-Whole Amount, (iv) the Holder's election with respect to payment of the Make-Whole Amount (as set forth in 4.1(a)(ii)) and specifying the name or names (with addresses) in which the Common Shares issued on conversion are to be issued, delivered and registered. In the event of the conversion of the entire Principal Amount, this Debenture will be canceled by the Corporation and of no further effect, and the Holder, or its permitted nominee or assignee, shall be entitled to be entered in the books of the Corporation as at the date of conversion as the holder of the number of Common Shares into which this Debenture is convertible in accordance with the provisions hereof and, as soon as practicable

thereafter, the Corporation shall deliver to the Holder or, subject as aforesaid, its permitted nominee or assignee, a certificate for such Common Shares or proof of a non-certificated issuance, at the sole discretion of the Corporation. In the event only a portion of the Principal Amount of this Debenture is converted, the Corporation shall, contemporaneously with the issuance of Common Shares issuable on such conversion, issue to the Holder a new Debenture certificate on identical terms on respect of the Principal Amount of which the Holder has not converted. Certificates, if any, for Common Shares will bear such legends regarding restrictions on resale or transferability as are required by applicable securities laws and the policies of the TSXV.

- (b) If the Holder wishes to convert Interest payments payable under this Debenture into Common Shares in accordance with Section 4.1(b), the Holder shall, no less than 15 days prior to the applicable Interest Payment Date, provide written notice to the Corporation, duly executed by the Holder or its duly appointed attorney, stating the Holder elects to convert accrued and outstanding Interest in accordance with the provisions of Section 4.1(b), and specifying the name or names (with addresses) in which the Common Shares issued on conversion are to be issued, delivered and registered. At the next Interest Payment Date, and on each Interest Payment Date thereafter unless the Holder shall, no less than 15 days prior to the applicable Interest Payment Date, provide written notice to the Corporation, duly executed by the Holder or its duly appointed attorney, stating the Holder elects receive accrued and outstanding Interest in cash (unless this Debenture is earlier converted or redeemed) the Corporation shall issue or cause to be issued the number of fully paid and non-assessable Common Shares resulting from the conversion of the accrued and outstanding Interest for such period on such Interest Payment Date. Thereupon, the Holder, or its nominee or assignee, shall be entitled to be entered in the books of the Corporation as at such Interest Payment Date as the holder of the number of Common Shares into which such Interest is converted in accordance with the provisions hereof and, as soon as practicable thereafter, the Corporation shall deliver to the Holder or, subject as aforesaid, its nominee or assignee, a certificate for such Common Shares or proof of a non-certificated issuance, at the sole discretion of the Corporation. Certificates, if any, for such Common Shares will bear such legends regarding restrictions on resale or transferability as are required by applicable securities laws and the policies of the TSXV.

4.3 No Requirement to Issue Fractional Shares

The Corporation shall not be required to issue fractional Common Shares upon the conversion of any amount under this Debenture or upon conversion of Interest payments payable under this Debenture. If any fractional interest in a Common Share would be deliverable upon the conversion of an amount payable hereunder, then the number of Common Shares otherwise issued shall be rounded down, without any additional consideration provided to the Holder, to the nearest whole number of Common Shares.

4.4 Reservation of Common Shares Issuable Upon Conversion

The Corporation shall at all times while this Debenture remains outstanding take all necessary corporate action to reserve and keep available out of its authorized but unissued Common Shares, solely for the

purpose of effecting conversions of this Debenture, such number of its Common Shares as would from time to time be sufficient to effect the conversion of amounts payable under this Debenture into Common Shares. All Common Shares issuable by the Corporation upon conversions of this Debenture shall be duly and validly issued as fully paid and non-assessable.

4.5 Capital Adjustments

The Interest Conversion Price and Principal Conversion Price (collectively the "**Conversion Price**") will be subject to adjustment in the events and in the manner following:

- (a) if and whenever at any time prior to the complete conversion or repayment of this Debenture, the Corporation:
 - (i) subdivides or redivides its outstanding Common Shares into a greater number of Common Shares;
 - (ii) reduces, combines or consolidates any outstanding Common Shares into a smaller number of Common Shares; or
 - (iii) issues any Common Shares or securities convertible into Common Shares by way of a stock dividend or distribution;

(any of such events in Section 4.5(a)(i), 4.5(a)(ii) or 4.5(a)(iii) above being called a "**Share Reorganization**"),

the Conversion Price will be adjusted by multiplying the applicable Conversion Price by a fraction, the numerator of which is the number of Common Shares outstanding on the record date or effective date of such Share Reorganization and the denominator of which is the total number of Common Shares outstanding immediately after such record date or effective date (including, in the case where securities convertible into Common Shares are issued pursuant to Section 4.5(a)(iii), the number of Common Shares that would have been outstanding had all such securities been converted into Common Shares on such record date or effective date). Such adjustment will be made successively whenever any event referred to in this Subsection 0 occurs;

- (b) if and whenever at any time prior to the Maturity Date there is a reclassification or change of any Common Shares, other than a subdivision or consolidation described in Section 4.5(a), or a consolidation, merger, reorganization or amalgamation of the Corporation with or into another body corporate, or a sale of all or substantially all of the assets of the Corporation followed immediately by a liquidation or winding up of the Corporation and distribution of its assets to its shareholders, and the Holder has not exercised its right of conversion or redemption prior to the effective date of such reclassification, change, consolidation, merger, reorganization, amalgamation, liquidation or winding-up, the Holder will be entitled to receive and will accept, upon the exercise of such right at any time after the effective date thereof, in lieu of the number of Common Shares to which it was theretofore entitled on conversion, the kind and amount of Common Shares or other securities or money or other property that such holder would have been entitled to

receive as a result of such reclassification, change, consolidation, merger, reorganization, amalgamation, liquidation or winding-up, if, on the effective date thereof, it had been the registered holder of the number of Common Shares to which it was until then entitled upon conversion, subject to adjustment thereafter in accordance with provisions which are on substantially equivalent terms to those terms contained herein, and which adjustment shall be determined in the sole discretion of the Corporation's independent directors, acting in good faith, and the exercise of such discretion shall be determinative subject to subsection 4.5(e) hereof;

- (c) in any case in which the provisions hereof requires that an adjustment shall become effective immediately after a record date for an event referred to herein, the Corporation may defer, until the occurrence of such event, issuing to the Holder converting after such record date and before the occurrence of such event, the additional Common Shares issuable upon such conversion by reason of the adjustment required by such event before giving effect to such adjustment, provided, however, that the Corporation will deliver to the Holder an appropriate instrument evidencing the Holder's right to receive such additional Common Shares upon the occurrence of the event requiring such adjustment and, subject to completion of such event, the right to receive any distributions made on such additional Common Shares declared in favour of holders of record of Common Shares on and after the Maturity Date or such later date as the Holder would, but for the provisions of this Section 4.5(c), have become the holder of record of such additional Common Shares hereunder;
- (d) the adjustments provided for herein are cumulative and will apply to successive subdivisions, redivisions, reductions, combinations, consolidations, distributions, issues or other events resulting in any adjustment under the provisions hereof, provided that, notwithstanding any other provision hereof, no adjustment of the applicable Conversion Price will be required unless such adjustment would require an increase or decrease of at least one percent (1%) in the applicable Conversion Price then in effect; and
- (e) in the event of any question arising with respect to the adjustments provided herein, such question will be conclusively determined by the Corporation's auditors who shall have access to all necessary records of the Corporation and such determination will be binding upon the Corporation and the Holder.

ARTICLE 5 PREPAYMENT

5.1 Prepayment

- (a) At any time and from time to time, the Corporation may prepay the entire outstanding Principal Amount in cash on any Business Day, together with all accrued and unpaid interest thereon so long as, in addition and concurrent with such payment, the Corporation delivers a cash payment to the Holder in an amount equal to the Make-Whole Amount.

- (b) Notice of the Corporation's intention to prepay all of the Principal Amount and Interest owing hereunder or so much thereof as remains from time to time unpaid (including the Make-Whole Amount, if any) shall be given by or on behalf of the Corporation to the Holder, not less than five Business Days prior to the date fixed for payment (the "**Prepayment Notice**"), in the manner provided herein. The Prepayment Notice shall specify the amount that will be prepaid (including the Make-Whole Amount), the date and place of payment and shall state that all interest on the amount so paid to the Holder shall cease from and after such payment date. Notwithstanding the issuance of a Prepayment Notice, the Holder shall, until the prepayment of the Principal Amount set forth in the Prepayment Notice, be entitled to exercise its right to convert the Principal Amount and any Interest amount owing into Common Shares in accordance with the provisions hereof.

ARTICLE 6 ADMINISTRATIVE PROVISIONS

6.1 Registered Holders

The person in whose name this Debenture shall be registered shall be deemed and regarded as the owner and holder hereof for all purposes, and the payment to and/or receipt of any Holder for any Principal Amount or Interest hereby evidenced shall be a good discharge of the Corporation for the same, and the Corporation shall not be bound to enter in the register notice of any trust or to enquire into the title of any Holder or to recognize any trust or equity affecting the title hereof save as ordered by some court of competent jurisdiction or as required by statute.

6.2 Replacement of Debenture

If this Debenture shall become mutilated or be lost, stolen or destroyed and in the absence of notice that this Debenture has been acquired by a *bona fide* purchaser, the Corporation in its discretion may issue a new Debenture upon surrender and cancellation of the mutilated Debenture, or, in the event that this Debenture is lost, stolen or destroyed, in lieu of and in substitution for the same, and the substituted Debenture shall be in the form hereof. In case of loss, theft or destruction the Holder shall furnish to the Corporation such evidence of such loss, theft or destruction as shall be satisfactory to the Corporation in its discretion acting reasonably and the Holder shall also furnish an indemnity in amount and form satisfactory to the Corporation in its discretion acting reasonably.

ARTICLE 7 SECURITY

7.1 Security

On or before September 30, 2021 (or such later date as agreed upon by the Corporation and the Holder), the Corporation may deliver or cause to be delivered to the Holder, the following security in form and substance satisfactory to the Holder, acting reasonably (the "**Security**"):

- (a) (i) a Guarantee by Molimentales del Noroeste, S.A. de C.V. ("**Molimentales**"), a wholly owned subsidiary of the Corporation existing under the laws of Mexico, and (ii) a collateral mortgage by Molimentales in favour of the Holder in respect of certain mining concessions owned by Molimentales located in Santa Ana, Sonora, Mexico, as more particularly described on Exhibit "A", hereto, including any extension or amendments to such mining concessions and any civil and industrial products thereof, which collateral mortgage will be filed by the Corporation with the Public Registry of Mining (Mexico); or
- (b) such other forms of guarantee and security documents to secure the indebtedness and obligations of the Corporation hereunder.

Notwithstanding any other provision of this Debenture, the Corporation is not obligated to deliver (or cause to deliver) the Security to Holder, and a failure by the Corporation to deliver (or to cause to deliver) the Security to Holder will not give rise to a default or an Event of Default under this Debenture.

7.2 Release of Security

To the extent the Security is executed and delivered in favour of the Holder, the Holder shall and shall cause the discharge and release of all of the Security at the Corporation's expense promptly after all obligations of the Corporation hereunder have been unconditionally and irrevocably repaid, converted or satisfied in full.

ARTICLE 8 REPRESENTATIONS AND WARRANTIES

8.1 Representations and Warranties of the Corporation.

To induce the Holder to accept this Debenture, as of the date hereof, and in respect of Sections 8.1 (a), (c), (d)(i) and (e), as of the date of each issuance of Common Shares upon a conversion under this Debenture, the Corporation hereby makes the following representations and warranties (including for and on behalf of Molimentales), and acknowledges and confirms that the Holder is relying upon such representations and warranties in entering into the Transaction Documents:

- (a) each Obligor is a corporation incorporated, formed organized and validly existing under the laws of the jurisdiction of its incorporation, formation, or existence;
- (b) each of the Transaction Documents, when executed and delivered, will constitute legal, valid and binding obligations of each Obligor to which it is a party enforceable against each such Obligor in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally;
- (c) the execution, delivery and performance by each Obligor of the Transaction Documents to which it is a party, the incurrence of the Obligations, and the issuance of the applicable Common Shares issuable by the Corporation upon a conversion under this Debenture, have been duly authorized by all requisite corporate, and if required, shareholder, action on the part of such Obligor, provided that in the case of the issuance of Common Shares by the Corporation upon a conversion under this Debenture (including an issuance of

Common Shares to satisfy the payment of interest), such issuance of Common Shares will not result in the Holder (when combined with the securities of the Corporation it then currently holds) holding 20% or more of the outstanding Common Shares on a partially diluted basis;

- (d) neither the execution and delivery of the Transaction Documents nor compliance with the terms, conditions and provisions thereof:
 - (i) will conflict with or result in a breach of any of the terms, conditions or provisions of the constating documents of any Obligor or the terms of any class or series of shares of any Obligor;
 - (ii) will conflict with or result in a material breach or constitute a material default under:
 - (A) any material agreement, instrument or arrangement to which any Obligor is now a party or by which it is now bound;
 - (B) any judgment or order, writ, injunction or decree of any court to which any Obligor is subject or by which its property is bound; or
 - (C) any applicable law or governmental regulation by which an Obligor or its property is bound.
 - (iii) will give rise to any pre-emptive right (which has not been waived or will be waived prior to the closing of the transactions contemplated hereunder) or give any person the right to:
 - (A) trigger or accelerate the maturity or performance of any material contract, golden parachute or any other provision in any contract, to which any Obligor is a party or trigger the payment of any monies by any obligor which would not otherwise be payable; or
 - (B) cancel, terminate or modify any material contract to which any Obligor is a party;
 - (iv) will require any Obligor to obtain any consent, license, certification or approval from any third party which has not been duly obtained;
- (e) this Debenture is duly and validly created and authorized and is issued and delivered as fully paid to the Holder in compliance with all applicable securities laws, and the Holder will be the legal and registered owner of the Debenture and, upon issuance, the Common Shares issuable upon a Conversion or a conversion of Interest payable, all of which will be free and clear of all pre-emptive rights, mortgages, liens, charges, security interests, adverse claims, pledges and demands whatsoever arising by reason of the acts or omissions of the Corporation, other than under applicable securities laws;

- (f) no Obligor is an insolvent person within the meaning of the *Bankruptcy and Insolvency Act* (Canada) (or any other similar or analogous statute) nor has any Obligor made an assignment in favour of its creditors nor a proposal in bankruptcy to its creditors or any class thereof nor had any petition for a receiving order presented in respect of it. No Obligor has initiated any proceedings with respect to a compromise or arrangement with its creditors or for its winding up, liquidation or dissolution. No receiver has been appointed in respect of any Obligor or any Obligor's property or assets and no execution or distress has been levied upon any of its property or assets of any Obligor. No act or proceeding has been taken or authorized by or against any Obligor with respect to any amalgamation, merger, consolidation, arrangement or reorganization of, or relating to, any Obligor nor have any such proceedings been authorized by any other person;
- (g) each Obligor is in compliance with the terms of all contracts to which it is a party except where the failure to so comply could not reasonably be expected to have a Material Adverse Effect;
- (h) each Obligor is in compliance with the requirements of all applicable laws, rules, regulations and decrees, directives and orders of any governmental authority that are applicable to it or to any of its properties, except where the failure to so comply could not reasonably be expected to have a Material Adverse Effect, and has obtained all licenses and permits that are necessary for the conduct of its business except where the failure to obtain such licenses or permits could not reasonably be expected to have a Material Adverse Effect;
- (i) there are no actions, suits or proceedings, including appeals or applications for review or any pending actions, suits or proceedings, against any Obligor before any court or administrative agency which could reasonably be expected to have a Material Adverse Effect;
- (j) except as would not reasonably be expected to result in a Material Adverse Effect, each Obligor has good and marketable legal and beneficial title to all of its property and assets, free and clear of any Lien other than Permitted Liens; and
- (k) each Obligor has filed all material tax returns and tax reports required by law to have been filed by it and has paid all taxes thereby shown to be owing, except any such taxes which are being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with IFRS shall have been set aside on its books.

8.2 Reliance and Indemnity.

The Holder is relying on the representations and warranties set forth in Section 8.1, notwithstanding any investigation or enquiries made by the Holder or waiver of any conditions to advancing funds under this Debenture. The Corporation agrees to indemnify and save harmless the Holder from and against all losses, damages, costs, or expenses, including legal costs as between a solicitor and own client, suffered or incurred by the Holder in connection with this Debenture, as a result of such representations or warranties

being incorrect or breached (except to the extent arising from the gross negligence or wilful misconduct of the Holder). Notwithstanding any other provision in this Debenture, any obligation of the Corporation to indemnify the Holder pursuant to the terms of this Article 8.2 will terminate on, and cease to be of any force or effect from and after: (a) the Maturity Date; or (b) the date all Obligations of the Corporation hereunder have been unconditionally and irrevocably repaid, converted or satisfied in full, whichever occurs first.

ARTICLE 9 COVENANTS

9.1 Affirmative Covenants of the Corporation.

The Corporation covenants and agrees with the Holder, until all Obligations are satisfied in full, unless the Holder shall otherwise consent in writing, that the Corporation shall (and cause Molimentales to):

- (a) duly and punctually pay and perform all of the Obligations at the times and places and in the manner required by the terms hereof and thereof, and satisfy its other obligations as required in the ordinary course;
- (b) pay and discharge promptly all taxes, assessments and other governmental charges imposed upon any Obligor, upon any Obligor's property or any part thereof, or upon any Obligor's income or profits or any part thereof, except that the Corporation shall not be required to pay or cause to be paid any tax, assessment or other governmental charge not yet past due or that is being contested in good faith by appropriate proceedings and in respect of which adequate reserves in accordance with IFRS shall have been set aside on its books, or where the failure to pay or discharge the same would not reasonably be expected to have a Material Adverse Effect;
- (c) preserve and maintain each Obligor's existence, licenses, rights, franchises, and privileges in the jurisdiction of its incorporation and all authorizations, consents, approvals, orders, licenses, exemptions from or registrations with, any court or governmental department, public body, authority, commission, board, bureau, agency or instrumentality that is necessary for the transaction of its business, and qualify and remain qualified to do business in each jurisdiction in which such qualification is necessary in view of its business or the ownership or leasing of its properties, except to the extent that any failure to do so would not reasonably be expected to have a Material Adverse Effect;
- (d) maintain, preserve, protect and keep all of its ownership, lease, use, licence and other interests in its assets as are necessary or advisable for it to be able to operate their respective businesses substantially in accordance with good, safe and prudent mining and business practice, except for any failure to do so that would not reasonably be expected to have a Material Adverse Effect;
- (e) comply with the requirements of all applicable laws, rules, regulations and orders of any governmental authority, non-compliance with which might materially adversely affect the financial condition or operations of the Corporation, except that the Corporation need

not comply with a requirement then being contested by it in good faith by appropriate proceedings or to the extent that any failure to so comply would not reasonably be expected to have a Material Adverse Effect;

- (f) from time to time, on 2 days per calendar year, allow the Holder access to visit and inspect its assets, property, premises, books and records at reasonable times situated during reasonable business hours and, unless a Default has occurred and is continuing, upon reasonable advance notice;
- (g) maintain adequate and appropriate insurance on the Corporation's assets and have the Holder named as a loss payee or additional insured, as applicable, under such policies;
- (h) inform the Holder of any event or action which could reasonably be expected to have a Material Adverse Effect;
- (i) keep and maintain its books of account and other accounting records in accordance with applicable accounting standards in effect in Canada; and
- (j) notify the Holder of (A) any material litigation commenced or threatened against the Corporation and furnish the Holder with copies of documents filed in any such material litigation or proceedings at the Holder's reasonable request, (B) any Material Adverse Effect, or (C) the occurrence of any Event of Default or any event which, with the giving of notice or lapse of time or otherwise, could reasonably give rise to an Event of Default.

9.2 Negative Covenants of the Corporation.

The Corporation covenants and agrees with the Holder, until all Obligations are satisfied in full, unless the Holder shall otherwise consent in writing, that the Corporation shall not (and cause Molimentales to not):

- (a) directly or indirectly issue, incur, assume or otherwise become liable for or in respect of any indebtedness other than Permitted Indebtedness;
- (b) permit any Lien on its property or assets other than Permitted Liens;
- (c) convey, sell, lease, license, assign, transfer or otherwise dispose of any of its properties or assets other than in the ordinary course of business (including worn out, unserviceable or obsolete equipment);
- (d) cease to carry on the business currently being carried on by it at the date of this Debenture;
- (e) enter into any scheme for the reconstruction or reorganization of it or for the consolidation, amalgamation, merger, arrangement or similar transaction of it with or into any other person; or
- (f) enter into any agreement or consent to or approve any action that would permit a Change of Control of the Corporation to occur.

ARTICLE 10
EVENTS OF DEFAULT

10.1 Events of Default.

The Corporation shall be in default under this Debenture, unless waived by the Holder, in any of the following events (each an "Event of Default" and together "Events of Default"):

- (a) any Obligor failing to pay to the Holder when due any principal or interest or any other amounts paying under this Debenture or any of the other Transaction Documents;
- (b) except as otherwise provided herein, any Obligor committing a breach of, or defaulting in the due and prompt performance or observance of, any of its covenants or obligations hereunder or any other Transaction Document which, if capable of being cured, has not been remedied within 30 days after the earlier of: (i) written notice to do so has been given by the Holder to the Corporation; or (ii) the Corporation acquires actual knowledge of such breach or default;
- (c) any representation or warranty contained herein or any other Transaction Document made by any Obligor to the Holder proves to have been incorrect in any material respect when made or furnished which, if capable of being cured, has not been remedied within 10 Business Days after the earlier of: (i) written notice to do so has been given by the Holder to the Corporation; or (ii) the Corporation acquires actual knowledge of such breach or default;
- (d) a judgment or order is obtained against any Obligor for an amount in excess of \$500,000, in the aggregate, which remains unsatisfied, undischarged, unvacated, unbinded or unstayed for a period of 45 days during which such judgment shall not be on appeal or execution thereof shall not be effectively stayed;
- (e) the property (either real or personal property) of any Obligor shall be seized (including by way of execution, attachment, garnishment or distraint) or any Lien, other than Permitted Liens, thereon shall be enforced, or such property shall become subject to any charging order or equitable execution of a court, or any writ of enforcement, writ of execution or distress warrant with respect to obligations of any Obligor, or any sheriff civil enforcement agent or other person shall become lawfully entitled to seize or distraint upon any such property under applicable laws whereunder such remedies are provided, and the fair market value of all such affected property is in excess of \$750,000, in the aggregate;
- (f) if any material provision of any Transaction Document shall at any time cease to be in full force and effect, be declared to be void or voidable or shall be repudiated, or the validity or enforceability thereof shall at any time be contested by any Obligor or if any Lien, other than a Permitted Lien, constituted pursuant to the Transaction Documents ceases to have the priority contemplated therein;

- (g) any event or condition that results in any indebtedness of any Obligor becoming due prior to its scheduled maturity or that enables or permits (with or without the giving of notice, the lapse of time or both) the holder or holders of any indebtedness of such Obligor or any trustee or agent on its or their behalf to cause any indebtedness of such Obligor to become due or require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity;
- (h) any Obligor ceases carrying on business, or a substantial part thereof, or sells, leases, assigns, transfers, conveys or otherwise disposes of all or substantially all of its property or assets;
- (i) if any event or circumstance has occurred and is continuing which, in the opinion of the Holder, would reasonably be expected to give rise to a Material Adverse Effect;
- (j) an order being made, a petition being filed or a resolution being passed for the winding up, dissolution or liquidation of any Obligor or for the suspension of the operations of any Obligor and such order, petition or a resolution is not rescinded, released, bonded, satisfied, discharged, vacated or stayed within 45 days after its entry, issuance, commencement or levy;
- (k) any execution, extent or sequestration or other process of any court becoming enforceable against any Obligor, as applicable, or a distress or analogous process being levied against any substantial part of the property of any Obligor, and such execution, extent, sequestration, distress or other process not being released, vacated or fully bonded within 45 days after becoming enforceable or levied, as the case may be;
- (l) any Obligor (i) becoming insolvent; (ii) voluntarily commencing any proceeding or filing any petition seeking relief under the *Bankruptcy and Insolvency Act*, the *Companies' Creditors Arrangement Act* or any similar act; (iii) committing an act of bankruptcy; (iv) applying for or consenting to the appointment of a custodian, liquidator, sequestrator, conservator, receiver, receiver and manager, receiver-manager or trustee or any other person with similar powers for such Obligor, or for any substantial part of the property of such Obligor; (v) making an assignment for the benefit of creditors or a proposal or similar action under the *Bankruptcy and Insolvency Act* or the *Companies' Creditors Arrangement Act* or any similar act; (vi) commencing any other proceedings relating to it under any reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction or (vii) by any act indicating its consent to, approval of, or acquiescence in, any such proceeding;
- (m) (i) a petition or case being filed or presented against any Obligor pursuant to the *Bankruptcy and Insolvency Act* or the *Companies' Creditors Arrangement Act* or any similar act or (ii) a petition or case being filed or presented seeking the appointment of a custodian, liquidator, sequestrator, conservator, receiver, receiver and manager, receiver-manager or trustee or any other person with similar powers for any Obligor, or for any substantial part of the property of any Obligor, and, in the case of each of

foregoing clause (i) and clause (ii), such petition or case not being dismissed within 30 days of its filing or presentment; and

- (n) a custodian, liquidator, sequestrator, conservator, receiver, receiver and manager, receiver-manager or trustee or any other person with similar powers being appointed for any Obligor, or for any substantial part of the property of any Obligor and such appointment shall continue for 30 consecutive days without having been vacated or discharged.

provided that an Event of Default, other than those set out in paragraphs (a), (b), (c), (d), (j), (k), (l), (m), and (n) above, shall cease to constitute an Event of Default if such Event of Default is curable and if the Obligors cure the same within 15 days of the earlier of: (i) any Obligor acquiring actual knowledge of such Event of Default; or (ii) receipt by Corporation of written notice of such Event of Default.

10.2 Acceleration.

Upon the occurrence of an Event of Default which is continuing and the expiry of any applicable curative periods, the Holder may deliver a demand to the Corporation and upon which, the Obligations then outstanding shall immediately become due and payable, provided that upon the occurrence under any Event of Default set out in Sections 10.1(j), 10.1(k), 10.1(l), 10.1(m), and 10.1(n), all of the Obligations then outstanding shall automatically become due and payable, in each case, without protest, presentment, demand or further notice of any kind, of which are expressed waived by the Corporation.

ARTICLE 11 MISCELLANEOUS

11.1 Resale restrictions

All securities of the Corporation issuable in connection with the conversion of this Debenture shall be subject to such resale restrictions as may be required under applicable securities law.

11.2 Binding Obligation

This Debenture shall constitute a binding obligation of the Corporation as and from the Issue Date until the repayment or conversion of the Debentures in their entirety in accordance with the terms hereof.

11.3 Time

Time shall be of the essence of this Debenture.

11.4 Governing Law

This Debenture shall be governed by, interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. The Holder irrevocably attorns and submits to the exclusive jurisdiction of the courts of the Province of Ontario with respect to any matters arising out of this Debenture and waives objection to the venue of any proceeding in such court or that such court provides an inconvenient forum.

11.5 Amendments; No Waiver.

- (a) No amendment or waiver of any provision of this Debenture, nor consent to any departure by the Corporation or any other person from such provisions, is effective unless in writing and approved by the Corporation. Any amendment, waiver or consent is effective only in the specific instance and for the specific purpose for which it was given.
- (b) No failure on the part of the Corporation to exercise, and no delay in exercising, any right under this Debenture shall operate as a waiver of such right; nor shall any single or partial exercise of any right under this Debenture preclude any other or further exercise of such right or the exercise of any other right.
- (c) This Debenture may only be amended with a written instrument signed by both the Corporation and the Holder.

11.6 Counterparts.

- (a) This Debenture may be executed by facsimile or other electronic means and in two or more counterparts, each of which shall be deemed an original and all of which shall constitute one and the same instrument.
- (b) This Debenture may be signed (either manually or by electronic signature) by any one authorized signatory of the Corporation and the Holder being authorized at the time of signing. An electronic signature upon this Debenture shall be deemed to be the signature of the person whose signature it purports to be.

11.7 Severability

If any one or more of the provisions or parts thereof contained in this Debenture should be or become invalid, illegal or unenforceable, the remaining provisions or parts thereof contained herein shall be and shall be conclusively deemed to be, severable therefrom and the validity, legality or enforceability of such remaining provisions or parts thereof shall not in any way be affected or impaired by the severance of the provisions or parts thereof severed.

11.8 Headings

The headings of the articles, sections, subsections and clauses of this Debenture have been inserted for convenience and reference only and do not define, limit, alter or enlarge the meaning of any provision of this Debenture.

11.9 No Assignment; Binding Effect

This Debenture may not be transferred or assigned by the Corporation or the Holder, in whole or in part, without the other party's prior written consent, other than to an Affiliate of the Holder, a Unitholder of the Delbrook Resource Opportunities Fund and/or a Limited Partner of the Delbrook Resource Opportunities Master Fund LP, and provided such transfer does not result in the imposition of

any penalty, interest or other liability for any applicable Withholding Tax. Subject thereto, this Debenture and all of its provisions shall enure to the benefit of the Holder, its successors and permitted assigns, and shall be binding upon the Corporation and its successors and permitted assigns.

11.10 Paramountcy

In the event of any inconsistency between this Debenture and the Term Sheet, this Debenture shall govern.

11.11 Arrangement Fee

On the Issue Date, the Corporation shall pay the Holder a financing fee of \$125,000.

11.12 Matters Relating to Interest

- (a) Unless otherwise stated in this Debenture, if reference is made herein to a rate of interest, discount fee or other amount "per annum" or a similar expression is used, such interest, discount fee or other amount shall be calculated on the basis of a year of three hundred and sixty-five (365) or three hundred and sixty-six (366) days, as the case may be. If the amount of any interest, discount fee or other amount is determined or expressed on the basis of a period of less than the actual number of days in the calendar year of calculation, then for the purposes of the *Interest Act* (Canada), the equivalent yearly rate is equal to the rate so determined or expressed, divided by the number of days in the said period, and multiplied by the actual number of days in that calendar year.
- (b) Notwithstanding any other provisions of this Debenture, if the amount of any interest, premium, fees or other monies or any rate of interest stipulated for, taken, reserved or extracted would otherwise contravene the provisions of Section 347 of the *Criminal Code* (Canada), Section 8 of the *Interest Act* (Canada) or any successor or similar legislation, or would exceed the amounts which any Holder is legally entitled to charge and receive under any law to which such compensation is subject, then such amount or rate of interest shall be reduced to such maximum amount as would not contravene such provision, and to the extent that any excess has been charged or received such Holder shall apply such excess against the Principal Amount outstanding at such time and refund any further excess amount.

ARTICLE 12
NOTICE

12.1 Notices

Any notice, direction or other instrument required or permitted to be given to any party hereto shall be in writing and shall be sufficiently given if delivered personally, or transmitted via email to such party as follows:

(a) in the case of the Corporation, to:

902-18 King Street East
Toronto, Ontario
M5C 1C4

Attention: Mr. Arturo Bonillas, Chief Executive Officer
Email: abonillas@magnagoldcorp.com

(b) in the case of the Holder, to:

1500 - 1199 West Hastings Street
Vancouver, BC
V6E 3T5

Attention: Mr. Matthew Zabloski, Managing Director
Email: Matt@delbrookcapital.com

Any such notice, direction or other instrument, if delivered personally, shall be deemed to have been given and received on the day on which it was delivered, provided that if such day is not a Business Day then the notice, direction or other instrument shall be deemed to have been given and received on the first Business Day next following such day and if transmitted by email, shall be deemed to have been given and received on the day of its transmission, provided that if such day is not a Business Day or if it is transmitted or received after the end of normal business hours then the notice, direction or other instrument shall be deemed to have been given and received on the first Business Day next following the day of such transmission.

Any party hereto may change its address for service from time to time by notice given to each of the other parties hereto in accordance with the foregoing provisions.

Notwithstanding any other provision of this Debenture, any notice or information required to be delivered with respect to the Obligors under this Debenture shall be deemed to have been given on the date on which such notice or information has been posted on the Corporation's website on the Internet, at www.sedar.com or at another website identified by the Corporation by notice to the Holder and accessible by the Holder without charge.

12.2 Further Assurances

The Corporation shall and shall cause Molimentales to, from time to time and at all times hereafter, upon reasonable written request of the Holder, make, do, execute, and deliver or cause to be made, done, executed and delivered all such further acts, deeds, assurances and things as may be necessary in the reasonable opinion of the Holder for more effectually implementing and carrying out the true intent and meaning of the Transaction Documents or any agreement delivered pursuant hereto or thereto.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF the Corporation and the Holder have each duly executed this Debenture as of the Issue Date first above written.

By the Corporation:

MAGNA GOLD CORP.

By: 

Name: Francisco Arturo Bonillas Zepeda

Title: President and Chief Executive Officer

By the Holder:

DELBROOK RESOURCE OPPORTUNITIES MASTER FUND LP by and through DELBROOK RESOURCE OPPORTUNITIES MASTER FUND GP LP, as general partner, acting through its general partner, DELBROOK RESOURCE OPPORTUNITIES MASTER FUND GP LTD.

By: _____

Name: Matthew Zabloski

Title: Managing Director

IN WITNESS WHEREOF the Corporation and the Holder have each duly executed this Debenture as of the Issue Date first above written.

By the Corporation:

MAGNA GOLD CORP.

By: _____
Name: Francisco Arturo Bonillas Zepeda
Title: President and Chief Executive Officer

By the Holder:

DELBROOK RESOURCE OPPORTUNITIES MASTER FUND LP by and through DELBROOK RESOURCE OPPORTUNITIES MASTER FUND GP LP, as general partner, acting through its general partner, DELBROOK RESOURCE OPPORTUNITIES MASTER FUND GP LTD.

By: 
Name: Matthew Zabloski
Title: Managing Director

EXHIBIT A
MINING CONCESSIONS

1. Mining concession "San Francisco", certificate number 198971, registered before the Mining Public Registry on February 10, 1994, under the Mining Concession Book, Volume 278, and number 311 page 156;
2. Mining concession "San Francisco Dos", certificate number 209618, registered before the Mining Public Registry on August 2, 1999, under the Mining Concession Book, Volume 308, and number 158 page 79;
3. Mining concession "San Francisco Cuatro", certificate number 219301, registered before the Mining Public Registry on February 24, 2003, under the Mining Concession Book, Volume 335, and number 121 page 61;
4. Mining concession "Llano II", certificate number 197203, registered before the Mining Public Registry on August 23, 1993, under the Mining Concession Book, Volume 273, and number 343 page 172;
5. Mining concession "Llano III", certificate number 197202, registered before the Mining Public Registry on August 23, 1993, under the Mining Concession Book, Volume 273, and number 342 page 171;
6. Mining concession "Llano IV", certificate number 222787, registered before the Mining Public Registry on August 30, 2004, under the Mining Concession Book, Volume 345, and number 7 page 4;
7. Mining concession "Llano V", certificate number 222788, registered before the Mining Public Registry on August 30, 2004 under the Mining Concession Book, Volume 345, and number 8 page 4;
8. Mining concession "Timmins", certificate number 226519 registered before the Mining Public Registry on January 23, 2006, under the Mining Concession Book, Volume 355, and number 139 page 70;
9. Mining concession "Timmins III F-1", certificate number 227237, registered before the Mining Public Registry on May 25, 2006, under the Mining Concession Book, Volume 357, and number 137 page 69;
10. Mining concession "Timmins III F-2", certificate number 227238, registered before the Mining Public Registry on May 25, 2006, under the Mining Concession Book, Volume 357, and number 138 page 69;
11. Mining concession "Timmins III Fracción Sur", certificate number 228260, registered before the Mining Public Registry on October 16, 2006, under the Mining Concession Book, Volume 360, and number 80 page 40;

12. Mining concession "Pima Reduccion", certificate number 244788, registered before the Mining Public Registry on January 18, 2016, under the Mining Concession Book, Volume 406, and number 48 page 24;
13. Mining concession "La Mexicana", certificate number 191137, registered before the Mining Public Registry on April 29, 1991, under the Mining Concession Book, Volume 262, and number 397 page 100;
14. Mining concession "Norma Reduccion", certificate number 244787, registered before the Mining Public Registry on January 18, 2016, under the Mining Concession Book, Volume 406, and number 47 page 24;
15. Mining concession "Patricia", certificate number 229241, registered before the Mining Public Registry on March 26, 2007 under the Mining Concession Book, Volume 362, and number 341 page 171;
16. Mining concession "Los Carlos", certificate number 227334, registered before the Mining Public Registry on June 8, 2006, under the Mining Concession Book, Volume 357, and number 234 page 117;
17. Mining concession "Los Carlos 2", certificate number 215707, registered before the Mining Public Registry on March 4, 2002, under the Mining Concession Book, Volume 325, and number 127 page 64;
18. Mining concession "Los Carlos 3", certificate number 225423, registered before the Mining Public Registry on September 5, 2005, under the Mining Concession Book, Volume 352, and number 123 page 62;
19. Mining concession "Dulce", certificate number 228428, registered before the Mining Public Registry on November 21, 2006, under the Mining Concession Book, Volume 360, and number 248 page 124;
20. Mining concession "Dulce I", certificate number 240007, registered before the Mining Public Registry on March 28, 2012, under the Mining Concession Book, Volume 392, and number 307 page 154; and
21. Mining concession "TMC", certificate number 246752, registered before the Mining Public Registry on November 15, 2018, under the Mining Concession Book, Volume 411, and number 212 page 106.

**SCHEDULE A
FORM OF CONVERSION NOTICE**

To:

Magna Gold Corp.
902-18 King Street East
Toronto, Ontario
M5C 1C4

Attention: Mr. Arturo Bonillas, Chief Executive Officer
Email: abonillas@magnagoldcorp.com

Note: All capitalized terms used herein have the meaning ascribed thereto in the Debenture mentioned below, unless otherwise indicated.

Notice is hereby given pursuant to Article 4.1(a) of the convertible debenture dated as of August 19, 2021 (the "**Debenture**") issued by the Corporation, as issuer, in favour of Delbrook Capital Advisors Inc., as Holder, that the undersigned, the registered holder of convertible debentures due August 19, 2023 bearing Certificate No. <*> irrevocably elects to convert such Debentures to Common Shares on the date of conversion specified below, in accordance with the terms of the Debenture and tenders herewith the Debenture, and directs that the Common Shares of the Corporation issuable and deliverable upon such conversion be issued and delivered to the Person indicated below. (If Common Shares are to be issued in the name of a Person other than the Holder, all requisite transfer taxes must be tendered by the undersigned.)

Dated: [●]

By:

**DELBROOK RESOURCE OPPORTUNITIES MASTER
FUND LP by and through DELBROOK RESOURCE
OPPORTUNITIES MASTER FUND GP LP,
as general partner, acting through its general
partner, DELBROOK RESOURCE OPPORTUNITIES
MASTER FUND GP LTD.**

By: _____

Name: Matthew Zabloski

Title: Managing Director

1. Date of conversion: [●]
2. If less than the full Principal Amount of the Debenture, indicate in the space provided below the Principal Amount (which must be at least \$10,000 or integral multiples thereof) to be converted:

Principal amount to be converted \$ _____ (must be \$10,000 or integral multiples thereof).

3. If the Make-Whole Amount is to be paid in cash in accordance with Article 4.1(a)(i), indicate the Make-Whole Amount in the space provided \$ _____ (Make-Whole Amount);

or

If the Make-Whole Amount is to be converted to Common Shares in accordance with Article 4.1(a)(ii), then please indicate same by initialing in the space provided here X _____ (Initials);

4. Print name in which Common Shares are to be issued, delivered and registered:

Name:

Address (City, Province and Postal Code):

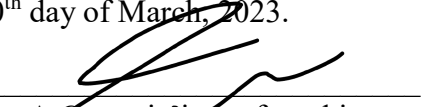
Name of Guarantor:

Authorized Signature:

NOTE: If Common Shares are to be issued in the name of a person other than the Holder, the signature must be guaranteed by a bank, by a trust company, or by a member firm of a recognized stock exchange.

**T
A
B
G**

This is Exhibit "G" referred to in the affidavit of Leslie Kapusianyik affirmed before me at Toronto this 20th day of March, 2023.



A Commissioner for taking
Affidavits within Ontario
Aiden Nelms

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THE SECURITIES REPRESENTED HEREBY, AND THE SECURITIES INTO WHICH SUCH SECURITIES ARE CONVERTIBLE, WILL NOT TRADE SUCH SECURITIES BEFORE DECEMBER 20, 2021.

Issue Date: August 19, 2021
Certificate No.: 2

Principal Amount \$1,750,000

CONVERTIBLE DEBENTURE

MAGNA GOLD CORP.

A corporation existing under the laws of the Province of Ontario

ARTICLE 1

INTERPRETATION

1.1 Definitions

In this Debenture, the following expressions shall have the following meanings, namely:

- (a) **"Affiliate"** has the meaning ascribed to such term in the OBCA;
- (b) **"Business Day"** means a day other than a Saturday, Sunday or any other day on which the principal chartered banks located in Toronto, Ontario and Vancouver, British Columbia are not open for normal banking business;
- (c) **"Change of Control"** means the occurrence of any of the following:
 - (i) any transaction (whether by purchase, merger or otherwise) following which any person, or group of persons "acting jointly or in concert" within the meaning of applicable Canadian securities laws, directly or indirectly acquire(s) the right to cast, at a general meeting of shareholders of the Corporation, more than 50% of the votes that may be ordinarily cast at a general meeting of the Corporation;
 - (ii) the Corporation amalgamates, consolidates or merges with or into any other person, or any merger of another person into the Corporation, unless the holders of voting securities of the Corporation immediately prior to such amalgamation, consolidation or merger hold securities representing 50% or more of the voting control or direction in the Corporation or the successor entity upon completion of the amalgamation, consolidation or merger; or
 - (iii) any conveyance, transfer, sale, lease or other disposition of all or substantially all of the Corporation's and the Corporation's subsidiaries' assets and properties, taken as a whole, to another arm's length person;

- (d) "**Change of Control Offer**" has the meaning ascribed in Section 2.2;
- (e) "**Common Shares**" means the common shares in the capital of the Corporation listed on the TSXV under the symbol "MGR";
- (f) "**Conversion Price**" has the meaning ascribed in Section 4.5;
- (g) "**Corporation**" means Magna Gold Corp., a corporation existing under the laws of the Province of Ontario;
- (h) "**Debenture**" or "**Debentures**" means, as the context requires, this instrument issued to the Holder of convertible debentures of the Corporation;
- (i) "**Forward Sale Transaction**" means a forward sale of a quantity of metal or other commodity (allocated or unallocated) at a fixed price where the purchase price (or any substantial part thereof) is paid prior to the date on which such metal or commodity (allocated or unallocated) is to be delivered;
- (j) "**Holder**" has the meaning ascribed in Section 2.1;
- (k) "**Interest**" means
 - (i) prior to the Security Delivery Date, the Pre-Security Interest, and
 - (ii) following the Security Delivery Date (on or before September 30, 2021 (or such later date as agreed to by the Holder and the Corporation)), the Post-Security Interest;
- (l) "**Interest Conversion Price**" means the last closing price of the Common Shares on the TSXV, or such other stock exchange on which the Common Shares shall be listed and posted for trading, on the day prior to the issuance of the applicable news release by the Corporation announcing the conversion of any Interest payable hereunder into Common Shares in accordance with Section 4.1, subject to adjustment in accordance with Section 4.5;
- (m) "**Interest Payment Date**" means the last day of each month in each year commencing on September 30, 2021, as well as the Security Delivery Date, the Maturity Date, and the date on which this Debenture is converted or redeemed, whichever is earlier;
- (n) "**Issue Date**" means August 19, 2021;
- (o) "**Lien**" means any mortgage, pledge, lien, assignment by way of security, charge, security interest, trust arrangement in the nature of a security interest, conditional sale or other title retention agreement, equipment trusts, lease financings including by way of sale and lease-back, hypothec, levy, execution, seizure, attachment, garnishment, any option, preferential right or adverse claim constituting an interest in such property, or any other encumbrance in respect of such property.

- (p) "**Make-Whole Amount**" means an amount equal to the aggregate remaining scheduled Interest payments that would have been made by the Corporation in respect of the portion of the Principal Amount being converted under this Debenture pursuant to Section 4.1(a) from the applicable conversion date until the Maturity Date;
- (q) "**Material Adverse Effect**" means a material adverse effect (or a series of adverse effects, none of which is material in and of itself but which, cumulatively, result in a material adverse effect) on:
- (i) the business, operations, results of operations, assets, liabilities (contingent or otherwise), condition (financial or otherwise) or cash flows of the Obligor considered as a whole;
 - (ii) the ability of the Corporation to perform its Obligations when due under the Transaction Documents to which it is a party; or
 - (iii) the ability of the Holder to enforce its rights under any Transaction Document;
- excluding in all cases a change in commodity prices;
- (r) "**Maturity Date**" means August 19, 2023;
- (s) "**Molimentales**" has the meaning ascribed in Section 7.1(a);
- (t) "**OBICA**" means the *Business Corporations Act* (Ontario);
- (u) "**Obligations**" means all indebtedness, liabilities, and obligations of the Corporation under this Debenture and the other Transaction Documents to which it is a party;
- (v) "**Obligors**" means, collectively, the Corporation and Molimentales, and "**Obligor**" means any one of them;
- (w) "**Official Body**" means any supra-national (such as the European Union and the European Central Bank), national, state, provincial or municipal government or government of any political subdivision thereof, or any agency, authority, board, central bank, monetary authority, commission, department or instrumentality thereof, or any court, tribunal, grand jury, mediator, arbitrator or referee, whether foreign or domestic;
- (x) "**Permitted Indebtedness**" means:
- (i) the Obligations;
 - (ii) indebtedness owing to SA Targeted Investing Corp. (including its successors and assigns), provided that such indebtedness, including any guarantee or indemnity granted by Molimentales in favour of SA Targeted Investing Corp.;

- (iii) indebtedness owing to Auramet International LLC (including its successors and assigns) provided that such indebtedness is not in excess of a principal amount of \$4,000,000;
- (iv) indebtedness owing to Inmobiliaria y Hotelera Los Algodones, S.A. de C.V. in respect of an embargo ordered by the Fourth Mercantile Judge based in Hermosillo, State of Sonora, Mexico, as recorded on March 15, 2013 under Entry 113, at Page 62, Volume 22 of the Mining Acts, Contracts and Agreements Book of the Public Registry of Mining;
- (v) indebtedness owing to Jose Eulogio Rodriguez Barraza in respect of an assignment of rights agreement dated December 2, 2014, between Jose Eulogio Rodriguez Barraza, as assignor, and Molimentales, as assignee;
- (vi) indebtedness with respect to credit cards not exceeding \$100,000 at any time;
- (vii) indebtedness comprised of trade payables and other accrued liabilities in the ordinary course of business, which are either not overdue or, if disputed and in that case whether or not overdue, are being contested in good faith by the Corporation by appropriate proceedings diligently conducted;
- (viii) any indebtedness under capital leases and purchase money obligations, provided that the aggregate capital value of all such items so leased or purchased under or in respect of such capital leases and purchase money obligations do not exceed \$25,000,000 for the Obligor on a consolidated basis at any time;
- (ix) indebtedness owed by an Obligor to another Obligor;
- (x) indebtedness at any particular time in respect of bonds, letters of credit or bank guarantees in favour of a public utility or any other Official Body when required by such utility or Official Body in connection with the operations of an Obligor (including for the reclamation or remediation of mining properties), all in the ordinary course of business;
- (xi) indebtedness pursuant to Risk Management Agreements;
- (xii) any indebtedness approved by the Holder that is postponed to the Obligations, such consent not to be unreasonably withheld;
- (xiii) any guarantee or indemnity in respect of Permitted Indebtedness;

- (xiv) any indebtedness relating to employee benefit plans or compensation entered into in the ordinary course of business, consistent with past practices and provided always that such indebtedness is not overdue;
 - (xv) any other indebtedness which the Holder agrees in writing is Permitted Indebtedness for the purposes of this Debenture; and
 - (xvi) indebtedness of the Obligors on a consolidated basis, not otherwise permitted under clauses (i) to (xiii), above, which in the aggregate at any given time does not exceed \$1,000,000;
- (y) **"Permitted Liens"** means any one or more of the following with respect to the property and assets of the Obligors:
- (i) (A) any Lien permitted pursuant to the Transaction Documents, and (B) any Lien granted in favour of the Holder from time to time;
 - (ii) Liens for taxes, assessments or governmental charges or levies not at the time due or delinquent or the validity of which are being contested in good faith by appropriate proceedings and as to which reserves are being maintained in accordance with IFRS;
 - (iii) the Lien of any judgment rendered or the Lien of any claim filed which is being contested in good faith by appropriate proceedings and as to which reserves are being maintained in accordance with IFRS;
 - (iv) Liens and charges incidental to construction or current operations which have not at such time been filed pursuant to law or which relate to obligations not due or delinquent or the validity of which are being contested in good faith by appropriate proceedings and as to which reserves are being maintained in accordance with IFRS;
 - (v) restrictions, easements, rights-of-way, servitudes or other similar rights in land granted to or reserved by other persons which in the aggregate do not materially impair the usefulness, in the operation of the business of any Obligor, of the property subject to such restrictions, easements, rights-of-way, servitudes or other similar rights in land granted to or reserved by other persons;
 - (vi) the right reserved to or vested in any municipality or governmental or other public authority or Official Body by the terms of any lease, licence, franchise, grant or permit acquired by any Obligor or by any statutory provision, to terminate any such lease, licence, franchise, grant or permit, or to require annual or other payments as a condition to the continuance thereof;

- (vii) the Lien resulting from the deposit of cash or securities (A) in connection with contracts, tenders or expropriation proceedings, or (B) to secure workers' compensation, surety or appeal bonds, letters of credit, costs of litigation when required by law and public and statutory obligations, or (C) in connection with the discharge of Liens or claims incidental to construction and mechanics', warehouseman's, carriers' and other similar liens or construction and mechanics' and other similar Liens arising in the ordinary course of business;
- (viii) security given to a public utility or other Official Body when required by such utility or other Official Body in connection with the operations of any Obligor, all in the ordinary course of business;
- (ix) the reservations, limitations, provisos and conditions, if any, expressed in any original patents or grants from any Official Body;
- (x) title defects or irregularities which are of a minor nature and in the aggregate will not materially impair the use of the property for the purpose for which it is held;
- (xi) applicable municipal and other governmental restrictions affecting the use of land or the nature of any structures which may be erected thereon, provided such restrictions have been complied with and will not materially impair the use of the property for the purpose for which it is held;
- (xii) Liens securing indebtedness arising under clauses (i), (vii) (for the avoidance of doubt such Liens shall only be permitted on the assets financed pursuant to such capital leases and/or purchase money indebtedness), (xi), and (xvi) of the definition of Permitted Indebtedness;
- (xiii) Liens granted to SA Targeted Investing Corp. (including its successors and assigns) securing indebtedness arising under clause (ii) of the definition of Permitted Indebtedness;
- (xiv) Liens granted to Auramet International LLC (including its successors and assigns) securing indebtedness arising under clause (iii) of the definition of Permitted Indebtedness;
- (xv) Liens granted to Inmobiliaria y Hotelera Los Algodones, S.A. de C.V. (including its successors and assigns) securing indebtedness arising under clause (iv) of the definition of Permitted Indebtedness;
- (xvi) Liens granted to Jose Eulogio Rodriguez Barraza (including his successors and assigns) securing indebtedness arising under clause (v) of the definition of Permitted Indebtedness;

- (xvii) the extension, renewal or refinancing of any Permitted Lien, provided that the amount so secured does not exceed the original amount secured immediately prior to such extension, renewal or refinancing and the Lien is not extended to any additional property;
 - (xviii) Liens on minerals or the proceeds of sale of such minerals arising or granted pursuant to a processing or refining arrangement entered into in the ordinary course and upon usual market terms, securing the payment of any Obligor's portion of the fees, costs and expenses attributable to the processing or refining of such minerals under any such processing arrangement, but only insofar as such Liens relate to obligations which are at such time not past due; and
 - (xix) any other Lien consented to in writing from time to time by the Holder, acting reasonably;
- (z) "**person**" includes an individual, corporation, partnership, unincorporated syndicate, unincorporated organization, trust, trustee, executor, administrator, or other legal representative, or any group or combination thereof;
- (aa) "**Post-Security Interest**" has the meaning ascribed in Section 3.1(b);
- (bb) "**Prepayment Notice**" has the meaning ascribed in Section 5.1(b);
- (cc) "**Pre-Security Interest**" has the meaning ascribed in Section 3.1(a);
- (dd) "**Principal Amount**" has the meaning ascribed in Section 2.1;
- (ee) "**Principal Conversion Price**" means \$1.25 per Common Share, as may be adjusted from time to time pursuant to Section 4.5;
- (ff) "**Principal Office**" means the principal office of the Corporation located at 902-18 King Street East, Toronto, Ontario, M5C 1C4, provided that the Corporation may change its principal office address by delivering written notice of such change to the Holder;
- (gg) "**Risk Management Agreements**" means any present or future swap, hedging, foreign exchange or other derivative transaction entered into by any Obligor which constitutes any silver, gold or other commodity hedging transaction (including any Forward Sale Transaction), spot or forward foreign exchange transaction, interest rate swap transaction, currency swap transaction, forward rate transaction, rate cap transaction, rate floor transaction, rate collar transaction, and any other exchange or rate protection transaction, any combination of such transactions or any option with respect to any such transaction entered into by any Obligor;
- (hh) "**Security**" has the meaning ascribed in Section 7.1;

- (ii) "**Security Delivery Date**" means the date, on or before September 30, 2021, on which the Corporation delivers, or cause to be delivered, the Security to the Holder;
- (jj) "**Share Reorganization**" has the meaning ascribed in Section 4.5(a);
- (kk) "**Term Sheet**" means the term sheet of the Corporation attached as a schedule to the subscription agreement entered into between the Corporation and the Holder with respect to the Holder's purchase of Debentures;
- (ll) "**Transaction Documents**" means, collectively, this Debenture, the Security, if any, and any other agreement or documents delivered in connection herewith and therewith.
- (mm) "**TSXV**" means the TSX Venture Exchange; and
- (nn) "**Withholding Taxes**" has the meaning ascribed in Section 3.2.

1.2 Currency

Unless otherwise indicated herein, "\$" or "dollars" shall refer to lawful currency of Canada.

ARTICLE 2 PROMISE TO PAY

2.1 Indebtedness

The Corporation, for value received, hereby acknowledges itself indebted and promises and covenants to pay to **Gundyco ITF a/c 515-00639-22** having an address at **1500-1199 W Hastings St., Vancouver, BC, V6E 2T5, Canada** as nominee for Delbrook Resource Opportunities Fund (including any of its successors and permitted assigns, the "**Holder**"):

- (a) unless earlier converted, the principal sum of \$1,750,000 (the "**Principal Amount**") in cash on the Maturity Date or upon such other date as specified herein at the Corporation's Principal Office;
- (b) interest on any monies owing by the Corporation to the Holder hereunder, including the Make-Whole Amount, if any, all as specifically calculated hereunder; and
- (c) all other monies which may be owing by the Corporation to the Holder pursuant to this Debenture.

2.2 Change of Control

Not less than 30 days prior to the consummation of a Change of Control of the Corporation, the Corporation shall notify the Holder of the Change of Control, and the Holder shall, in their sole discretion, have the right to require the Corporation to either: (a) redeem the Debentures at 100% of the Principal Amount then outstanding plus unpaid interest to the Maturity Date; or (b) if the Change of Control results in a new issuer, to convert the Debentures into replacement debentures of such new issuer in a principal

amount equal to 101% of the Principal Amount of the Debentures then outstanding, on substantially equivalent terms to those terms contained herein (the "**Change of Control Offer**"). If the Holder wishes to accept such Change of Control Offer, it may do so by written notice to the Corporation, at any time prior to the close of business on the day that is five Business Days prior to the scheduled effective date of the consummation of such Change of Control, which notice shall indicate the Holder's election with respect to the Change of Control Offer. If the Holder elects to have the Corporation redeem the Debenture (including all Interest that would have accrued thereon to the Maturity Date), the Corporation shall pay the redemption amount (being the entire outstanding Principal Amount, together with all Interest on such Principal Amount that would have accrued thereon to the Maturity Date) no later than the scheduled effective date of the consummation of such Change of Control transaction. If the Holder elects to have the Corporation convert the Debentures (including all Interest that would have accrued thereon to the Maturity Date), the provisions of Article 4 shall apply, mutatis mutandis, so that the Holder can participate in the Change of Control transaction along with the other holders of Common Shares.

ARTICLE 3 INTEREST

3.1 Calculation and Payment of Interest, etc.

The Corporation shall pay interest on each Interest Payment Date, in arrears, on that portion of the Principal Amount outstanding from time to time, which shall accrue as follows:

- (a) following the Issue Date and up to and including the Security Delivery Date (provided that such Security Delivery Date occurs on or before September 30, 2021 (or such later date as agreed by the Corporation and the Holder)) or the date of repayment or conversion in the entirety of the Principal Amount in accordance with the terms hereof, whichever is earlier, at the rate of 8.5% per annum, calculated on the basis of a 360-day year composed of twelve 30-day months (the "**Pre-Security Interest**"); and
- (b) following the Security Delivery Date (provided that such Security Delivery Date occurs on or before September 30, 2021 (or such later date as agreed by the Corporation and the Holder)), at the rate of 6.5% per annum, calculated on the basis of a 360-day year composed of twelve 30-day months (the "**Post-Security Interest**"), up to and including the date of repayment or conversion in the entirety of the Principal Amount in accordance with the terms hereof.

The first Interest Payment Date will include interest payable from the Issue Date. For greater certainty, if the Security is not delivered to the Holder on or before September 30, 2021 (or such later date as agreed by the Corporation and the Holder), then Pre-Security Interest will continue to accrue on the Principal Amount outstanding from time to time and be payable by the Corporation until the date of repayment or conversion in the entirety of the Principal Amount, in accordance with the terms hereof.

3.2 Methods of Paying Interest

The Corporation shall satisfy its obligations to pay accrued and outstanding Interest on the Principal Amount in cash by sending payment of such interest by electronic transfer of funds or such other means

as may be agreed to by the Holder, payable to the order of the Holder not later than the close of business on the applicable Interest Payment Date, or, at the election of the Holder and subject to Article 4 herein, by issuing to the Holder that number of Common Shares equal to (x) the amount of accrued and outstanding Interest payable on such Interest Payment Date divided by (y) the Interest Conversion Price.

3.3 Taxation

All payments made by or on behalf of the Corporation under or with respect to the Debentures (including, without limitation, any penalties, interest and other liabilities related thereto) will be made free and clear of and without withholding, or deduction for, or on account of, any present or future tax, duty, levy, impost, assessment or other governmental charge (including, without limitation, penalties, interest and other liabilities related hereto) imposed or levied by or on behalf of the Government of Canada, the United States, Mexico or any other jurisdiction, or of any state, province or territory thereof or by any authority or agency therein or thereof having power to tax ("**Withholding Taxes**"), unless the Corporation is required by law or the interpretation or administration thereof, to withhold or deduct any amounts for, or on account of Withholding Taxes. If the Corporation is so required to withhold or deduct any amount for, or on account of, Withholding Taxes from any payment made under or with respect to the Debentures, the Corporation shall deduct and withhold such Withholding Taxes from any payment to be made or with respect to the Debentures and, provided that the Corporation forthwith remits such amount to the relevant governmental authority or agency, the amount of any such deduction or withholding will be considered an amount paid in satisfaction of the Corporation's obligations under the Debentures. There is no obligation on the Corporation to gross-up or pay additional amounts to a holder of Debentures in respect of such deductions or withholdings. For greater certainty, if any amount is required to be deducted or withheld in respect of Withholding Taxes upon the delivery of Common Shares pursuant to this Debenture (including the issuance of Common Shares in satisfaction of any Interest and upon a conversion of a Debenture), the Corporation shall be entitled to liquidate on behalf of the Holder such number of Common Shares (or other securities) issuable as a result of such Interest payment obligation or conversion as shall be necessary in order to satisfy such requirement. The Corporation shall provide the Holder with copies of receipts or other communications relating to the remittance of such withheld amount or the filing of any forms received from such government authority or agency promptly after receipt thereof. If the Holder receives a refund of any Withholding Taxes with respect to which the Corporation has paid any additional amount under this Section 3.2, the Holder shall pay over such refund to the Corporation.

3.4 No Merger In Judgement

The covenant of the Corporation to pay interest at the rate provided herein shall not merge in any judgement in respect of any obligation of the Corporation hereunder and such judgement shall bear interest in the manner set out in this Article 3 and be payable on the same days when interest is payable hereunder.

ARTICLE 4
CONVERSION OF DEBENTURE

4.1 Conversion by Holder

Subject to the rules, policies and approval of the TSXV and to the provisions and conditions of this Article 4, at the option of the Holder:

- (a) at any time after the Issue Date and prior to the close of business on the last Business Day immediately preceding the Maturity Date, the Holder may elect to convert all, or a portion of the outstanding Principal Amount (including any accrued and unpaid Interest) into: (i) such number of Common Shares as is equal to (x) the outstanding Principal Amount divided by (y) the Principal Conversion Price then in effect; and (ii) either (A) a cash payment from the Corporation in an amount equal to the Make-Whole Amount, or, (B) such number of Common Shares as is equal to (x) the Make-Whole Amount divided by (y) the applicable Interest Conversion Price;
- (b) at any time after the Issue Date and no less than 15 days prior an Interest Payment Date (other than the Maturity Date), if the Holder wishes to receive Interest payments payable by the Corporation in accordance with Section 3.1 in Common Shares, the Holder may elect to convert Interest payable on any Interest Payment Date into such number of Common Shares as is equal to (x) the amount of accrued and outstanding Interest payable on such Interest Payment Date divided by (y) the applicable Interest Conversion Price;

in each case subject to adjustment in certain events as described herein.

4.2 Manner of Conversion

- (a) If the Holder wishes to convert any outstanding Principal Amount (including any accrued and unpaid Interest) of this Debenture into Common Shares, in accordance with Section 4.1(a), the Holder shall surrender this Debenture certificate to the Corporation at its Principal Office prior to the close of business on the last Business Day immediately preceding the Maturity Date together with written notice to the Corporation, duly executed by the Holder or its duly appointed attorney (substantially in the form of Schedule "A", attached hereto), stating (i) that the Holder irrevocably elects to convert all or a portion of the outstanding Principal Amount in accordance with the provisions of 4.1(a), (ii) the Principal Amount being converted, (iii) the Make-Whole Amount, (iv) the Holder's election with respect to payment of the Make-Whole Amount (as set forth in 4.1(a)(ii)) and specifying the name or names (with addresses) in which the Common Shares issued on conversion are to be issued, delivered and registered. In the event of the conversion of the entire Principal Amount, this Debenture will be canceled by the Corporation and of no further effect, and the Holder, or its permitted nominee or assignee, shall be entitled to be entered in the books of the Corporation as at the date of conversion as the holder of the number of Common Shares into which this Debenture is convertible in accordance with the provisions hereof and, as soon as practicable

thereafter, the Corporation shall deliver to the Holder or, subject as aforesaid, its permitted nominee or assignee, a certificate for such Common Shares or proof of a non-certificated issuance, at the sole discretion of the Corporation. In the event only a portion of the Principal Amount of this Debenture is converted, the Corporation shall, contemporaneously with the issuance of Common Shares issuable on such conversion, issue to the Holder a new Debenture certificate on identical terms on respect of the Principal Amount of which the Holder has not converted. Certificates, if any, for Common Shares will bear such legends regarding restrictions on resale or transferability as are required by applicable securities laws and the policies of the TSXV.

- (b) If the Holder wishes to convert Interest payments payable under this Debenture into Common Shares in accordance with Section 4.1(b), the Holder shall, no less than 15 days prior to the applicable Interest Payment Date, provide written notice to the Corporation, duly executed by the Holder or its duly appointed attorney, stating the Holder elects to convert accrued and outstanding Interest in accordance with the provisions of Section 4.1(b), and specifying the name or names (with addresses) in which the Common Shares issued on conversion are to be issued, delivered and registered. At the next Interest Payment Date, and on each Interest Payment Date thereafter unless the Holder shall, no less than 15 days prior to the applicable Interest Payment Date, provide written notice to the Corporation, duly executed by the Holder or its duly appointed attorney, stating the Holder elects receive accrued and outstanding Interest in cash (unless this Debenture is earlier converted or redeemed) the Corporation shall issue or cause to be issued the number of fully paid and non-assessable Common Shares resulting from the conversion of the accrued and outstanding Interest for such period on such Interest Payment Date. Thereupon, the Holder, or its nominee or assignee, shall be entitled to be entered in the books of the Corporation as at such Interest Payment Date as the holder of the number of Common Shares into which such Interest is converted in accordance with the provisions hereof and, as soon as practicable thereafter, the Corporation shall deliver to the Holder or, subject as aforesaid, its nominee or assignee, a certificate for such Common Shares or proof of a non-certificated issuance, at the sole discretion of the Corporation. Certificates, if any, for such Common Shares will bear such legends regarding restrictions on resale or transferability as are required by applicable securities laws and the policies of the TSXV.

4.3 No Requirement to Issue Fractional Shares

The Corporation shall not be required to issue fractional Common Shares upon the conversion of any amount under this Debenture or upon conversion of Interest payments payable under this Debenture. If any fractional interest in a Common Share would be deliverable upon the conversion of an amount payable hereunder, then the number of Common Shares otherwise issued shall be rounded down, without any additional consideration provided to the Holder, to the nearest whole number of Common Shares.

4.4 Reservation of Common Shares Issuable Upon Conversion

The Corporation shall at all times while this Debenture remains outstanding take all necessary corporate action to reserve and keep available out of its authorized but unissued Common Shares, solely for the

purpose of effecting conversions of this Debenture, such number of its Common Shares as would from time to time be sufficient to effect the conversion of amounts payable under this Debenture into Common Shares. All Common Shares issuable by the Corporation upon conversions of this Debenture shall be duly and validly issued as fully paid and non-assessable.

4.5 Capital Adjustments

The Interest Conversion Price and Principal Conversion Price (collectively the "**Conversion Price**") will be subject to adjustment in the events and in the manner following:

- (a) if and whenever at any time prior to the complete conversion or repayment of this Debenture, the Corporation:
 - (i) subdivides or redivides its outstanding Common Shares into a greater number of Common Shares;
 - (ii) reduces, combines or consolidates any outstanding Common Shares into a smaller number of Common Shares; or
 - (iii) issues any Common Shares or securities convertible into Common Shares by way of a stock dividend or distribution;

(any of such events in Section 4.5(a)(i), 4.5(a)(ii) or 4.5(a)(iii) above being called a "**Share Reorganization**"),

the Conversion Price will be adjusted by multiplying the applicable Conversion Price by a fraction, the numerator of which is the number of Common Shares outstanding on the record date or effective date of such Share Reorganization and the denominator of which is the total number of Common Shares outstanding immediately after such record date or effective date (including, in the case where securities convertible into Common Shares are issued pursuant to Section 4.5(a)(iii), the number of Common Shares that would have been outstanding had all such securities been converted into Common Shares on such record date or effective date). Such adjustment will be made successively whenever any event referred to in this Subsection 0 occurs;

- (b) if and whenever at any time prior to the Maturity Date there is a reclassification or change of any Common Shares, other than a subdivision or consolidation described in Section 4.5(a), or a consolidation, merger, reorganization or amalgamation of the Corporation with or into another body corporate, or a sale of all or substantially all of the assets of the Corporation followed immediately by a liquidation or winding up of the Corporation and distribution of its assets to its shareholders, and the Holder has not exercised its right of conversion or redemption prior to the effective date of such reclassification, change, consolidation, merger, reorganization, amalgamation, liquidation or winding-up, the Holder will be entitled to receive and will accept, upon the exercise of such right at any time after the effective date thereof, in lieu of the number of Common Shares to which it was theretofore entitled on conversion, the kind and amount of Common Shares or other securities or money or other property that such holder would have been entitled to

receive as a result of such reclassification, change, consolidation, merger, reorganization, amalgamation, liquidation or winding-up, if, on the effective date thereof, it had been the registered holder of the number of Common Shares to which it was until then entitled upon conversion, subject to adjustment thereafter in accordance with provisions which are on substantially equivalent terms to those terms contained herein, and which adjustment shall be determined in the sole discretion of the Corporation's independent directors, acting in good faith, and the exercise of such discretion shall be determinative subject to subsection 4.5(e) hereof;

- (c) in any case in which the provisions hereof requires that an adjustment shall become effective immediately after a record date for an event referred to herein, the Corporation may defer, until the occurrence of such event, issuing to the Holder converting after such record date and before the occurrence of such event, the additional Common Shares issuable upon such conversion by reason of the adjustment required by such event before giving effect to such adjustment, provided, however, that the Corporation will deliver to the Holder an appropriate instrument evidencing the Holder's right to receive such additional Common Shares upon the occurrence of the event requiring such adjustment and, subject to completion of such event, the right to receive any distributions made on such additional Common Shares declared in favour of holders of record of Common Shares on and after the Maturity Date or such later date as the Holder would, but for the provisions of this Section 4.5(c), have become the holder of record of such additional Common Shares hereunder;
- (d) the adjustments provided for herein are cumulative and will apply to successive subdivisions, redivisions, reductions, combinations, consolidations, distributions, issues or other events resulting in any adjustment under the provisions hereof, provided that, notwithstanding any other provision hereof, no adjustment of the applicable Conversion Price will be required unless such adjustment would require an increase or decrease of at least one percent (1%) in the applicable Conversion Price then in effect; and
- (e) in the event of any question arising with respect to the adjustments provided herein, such question will be conclusively determined by the Corporation's auditors who shall have access to all necessary records of the Corporation and such determination will be binding upon the Corporation and the Holder.

ARTICLE 5 PREPAYMENT

5.1 Prepayment

- (a) At any time and from time to time, the Corporation may prepay the entire outstanding Principal Amount in cash on any Business Day, together with all accrued and unpaid interest thereon so long as, in addition and concurrent with such payment, the Corporation delivers a cash payment to the Holder in an amount equal to the Make-Whole Amount.

- (b) Notice of the Corporation's intention to prepay all of the Principal Amount and Interest owing hereunder or so much thereof as remains from time to time unpaid (including the Make-Whole Amount, if any) shall be given by or on behalf of the Corporation to the Holder, not less than five Business Days prior to the date fixed for payment (the "**Prepayment Notice**"), in the manner provided herein. The Prepayment Notice shall specify the amount that will be prepaid (including the Make-Whole Amount), the date and place of payment and shall state that all interest on the amount so paid to the Holder shall cease from and after such payment date. Notwithstanding the issuance of a Prepayment Notice, the Holder shall, until the prepayment of the Principal Amount set forth in the Prepayment Notice, be entitled to exercise its right to convert the Principal Amount and any Interest amount owing into Common Shares in accordance with the provisions hereof.

ARTICLE 6 ADMINISTRATIVE PROVISIONS

6.1 Registered Holders

The person in whose name this Debenture shall be registered shall be deemed and regarded as the owner and holder hereof for all purposes, and the payment to and/or receipt of any Holder for any Principal Amount or Interest hereby evidenced shall be a good discharge of the Corporation for the same, and the Corporation shall not be bound to enter in the register notice of any trust or to enquire into the title of any Holder or to recognize any trust or equity affecting the title hereof save as ordered by some court of competent jurisdiction or as required by statute.

6.2 Replacement of Debenture

If this Debenture shall become mutilated or be lost, stolen or destroyed and in the absence of notice that this Debenture has been acquired by a *bona fide* purchaser, the Corporation in its discretion may issue a new Debenture upon surrender and cancellation of the mutilated Debenture, or, in the event that this Debenture is lost, stolen or destroyed, in lieu of and in substitution for the same, and the substituted Debenture shall be in the form hereof. In case of loss, theft or destruction the Holder shall furnish to the Corporation such evidence of such loss, theft or destruction as shall be satisfactory to the Corporation in its discretion acting reasonably and the Holder shall also furnish an indemnity in amount and form satisfactory to the Corporation in its discretion acting reasonably.

ARTICLE 7 SECURITY

7.1 Security

On or before September 30, 2021 (or such later date as agreed upon by the Corporation and the Holder), the Corporation may deliver or cause to be delivered to the Holder, the following security in form and substance satisfactory to the Holder, acting reasonably (the "**Security**"):

- (a) (i) a Guarantee by Molimentales del Noroeste, S.A. de C.V. ("**Molimentales**"), a wholly owned subsidiary of the Corporation existing under the laws of Mexico, and (ii) a collateral mortgage by Molimentales in favour of the Holder in respect of certain mining concessions owned by Molimentales located in Santa Ana, Sonora, Mexico, as more particularly described on Exhibit "A", hereto, including any extension or amendments to such mining concessions and any civil and industrial products thereof, which collateral mortgage will be filed by the Corporation with the Public Registry of Mining (Mexico); or
- (b) such other forms of guarantee and security documents to secure the indebtedness and obligations of the Corporation hereunder.

Notwithstanding any other provision of this Debenture, the Corporation is not obligated to deliver (or cause to deliver) the Security to Holder, and a failure by the Corporation to deliver (or to cause to deliver) the Security to Holder will not give rise to a default or an Event of Default under this Debenture.

7.2 Release of Security

To the extent the Security is executed and delivered in favour of the Holder, the Holder shall and shall cause the discharge and release of all of the Security at the Corporation's expense promptly after all obligations of the Corporation hereunder have been unconditionally and irrevocably repaid, converted or satisfied in full.

ARTICLE 8 REPRESENTATIONS AND WARRANTIES

8.1 Representations and Warranties of the Corporation.

To induce the Holder to accept this Debenture, as of the date hereof, and in respect of Sections 8.1 (a), (c), (d)(i) and (e), as of the date of each issuance of Common Shares upon a conversion under this Debenture, the Corporation hereby makes the following representations and warranties (including for and on behalf of Molimentales), and acknowledges and confirms that the Holder is relying upon such representations and warranties in entering into the Transaction Documents:

- (a) each Obligor is a corporation incorporated, formed organized and validly existing under the laws of the jurisdiction of its incorporation, formation, or existence;
- (b) each of the Transaction Documents, when executed and delivered, will constitute legal, valid and binding obligations of each Obligor to which it is a party enforceable against each such Obligor in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally;
- (c) the execution, delivery and performance by each Obligor of the Transaction Documents to which it is a party, the incurrence of the Obligations, and the issuance of the applicable Common Shares issuable by the Corporation upon a conversion under this Debenture, have been duly authorized by all requisite corporate, and if required, shareholder, action on the part of such Obligor, provided that in the case of the issuance of Common Shares by the Corporation upon a conversion under this Debenture (including an issuance of

Common Shares to satisfy the payment of interest), such issuance of Common Shares will not result in the Holder (when combined with the securities of the Corporation it then currently holds) holding 20% or more of the outstanding Common Shares on a partially diluted basis;

(d) neither the execution and delivery of the Transaction Documents nor compliance with the terms, conditions and provisions thereof:

(i) will conflict with or result in a breach of any of the terms, conditions or provisions of the constating documents of any Obligor or the terms of any class or series of shares of any Obligor;

(ii) will conflict with or result in a material breach or constitute a material default under:

(A) any material agreement, instrument or arrangement to which any Obligor is now a party or by which it is now bound;

(B) any judgment or order, writ, injunction or decree of any court to which any Obligor is subject or by which its property is bound; or

(C) any applicable law or governmental regulation by which an Obligor or its property is bound.

(iii) will give rise to any pre-emptive right (which has not been waived or will be waived prior to the closing of the transactions contemplated hereunder) or give any person the right to:

(A) trigger or accelerate the maturity or performance of any material contract, golden parachute or any other provision in any contract, to which any Obligor is a party or trigger the payment of any monies by any obligor which would not otherwise be payable; or

(B) cancel, terminate or modify any material contract to which any Obligor is a party;

(iv) will require any Obligor to obtain any consent, license, certification or approval from any third party which has not been duly obtained;

(e) this Debenture is duly and validly created and authorized and is issued and delivered as fully paid to the Holder in compliance with all applicable securities laws, and the Holder will be the legal and registered owner of the Debenture and, upon issuance, the Common Shares issuable upon a Conversion or a conversion of Interest payable, all of which will be free and clear of all pre-emptive rights, mortgages, liens, charges, security interests, adverse claims, pledges and demands whatsoever arising by reason of the acts or omissions of the Corporation, other than under applicable securities laws;

- (f) no Obligor is an insolvent person within the meaning of the *Bankruptcy and Insolvency Act* (Canada) (or any other similar or analogous statute) nor has any Obligor made an assignment in favour of its creditors nor a proposal in bankruptcy to its creditors or any class thereof nor had any petition for a receiving order presented in respect of it. No Obligor has initiated any proceedings with respect to a compromise or arrangement with its creditors or for its winding up, liquidation or dissolution. No receiver has been appointed in respect of any Obligor or any Obligor's property or assets and no execution or distress has been levied upon any of its property or assets of any Obligor. No act or proceeding has been taken or authorized by or against any Obligor with respect to any amalgamation, merger, consolidation, arrangement or reorganization of, or relating to, any Obligor nor have any such proceedings been authorized by any other person;
- (g) each Obligor is in compliance with the terms of all contracts to which it is a party except where the failure to so comply could not reasonably be expected to have a Material Adverse Effect;
- (h) each Obligor is in compliance with the requirements of all applicable laws, rules, regulations and decrees, directives and orders of any governmental authority that are applicable to it or to any of its properties, except where the failure to so comply could not reasonably be expected to have a Material Adverse Effect, and has obtained all licenses and permits that are necessary for the conduct of its business except where the failure to obtain such licenses or permits could not reasonably be expected to have a Material Adverse Effect;
- (i) there are no actions, suits or proceedings, including appeals or applications for review or any pending actions, suits or proceedings, against any Obligor before any court or administrative agency which could reasonably be expected to have a Material Adverse Effect;
- (j) except as would not reasonably be expected to result in a Material Adverse Effect, each Obligor has good and marketable legal and beneficial title to all of its property and assets, free and clear of any Lien other than Permitted Liens; and
- (k) each Obligor has filed all material tax returns and tax reports required by law to have been filed by it and has paid all taxes thereby shown to be owing, except any such taxes which are being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with IFRS shall have been set aside on its books.

8.2 Reliance and Indemnity.

The Holder is relying on the representations and warranties set forth in Section 8.1, notwithstanding any investigation or enquiries made by the Holder or waiver of any conditions to advancing funds under this Debenture. The Corporation agrees to indemnify and save harmless the Holder from and against all losses, damages, costs, or expenses, including legal costs as between a solicitor and own client, suffered or incurred by the Holder in connection with this Debenture, as a result of such representations or warranties

being incorrect or breached (except to the extent arising from the gross negligence or wilful misconduct of the Holder). Notwithstanding any other provision in this Debenture, any obligation of the Corporation to indemnify the Holder pursuant to the terms of this Article 8.2 will terminate on, and cease to be of any force or effect from and after: (a) the Maturity Date; or (b) the date all Obligations of the Corporation hereunder have been unconditionally and irrevocably repaid, converted or satisfied in full, whichever occurs first.

ARTICLE 9 COVENANTS

9.1 Affirmative Covenants of the Corporation.

The Corporation covenants and agrees with the Holder, until all Obligations are satisfied in full, unless the Holder shall otherwise consent in writing, that the Corporation shall (and cause Molimentales to):

- (a) duly and punctually pay and perform all of the Obligations at the times and places and in the manner required by the terms hereof and thereof, and satisfy its other obligations as required in the ordinary course;
- (b) pay and discharge promptly all taxes, assessments and other governmental charges imposed upon any Obligor, upon any Obligor's property or any part thereof, or upon any Obligor's income or profits or any part thereof, except that the Corporation shall not be required to pay or cause to be paid any tax, assessment or other governmental charge not yet past due or that is being contested in good faith by appropriate proceedings and in respect of which adequate reserves in accordance with IFRS shall have been set aside on its books, or where the failure to pay or discharge the same would not reasonably be expected to have a Material Adverse Effect;
- (c) preserve and maintain each Obligor's existence, licenses, rights, franchises, and privileges in the jurisdiction of its incorporation and all authorizations, consents, approvals, orders, licenses, exemptions from or registrations with, any court or governmental department, public body, authority, commission, board, bureau, agency or instrumentality that is necessary for the transaction of its business, and qualify and remain qualified to do business in each jurisdiction in which such qualification is necessary in view of its business or the ownership or leasing of its properties, except to the extent that any failure to do so would not reasonably be expected to have a Material Adverse Effect;
- (d) maintain, preserve, protect and keep all of its ownership, lease, use, licence and other interests in its assets as are necessary or advisable for it to be able to operate their respective businesses substantially in accordance with good, safe and prudent mining and business practice, except for any failure to do so that would not reasonably be expected to have a Material Adverse Effect;
- (e) comply with the requirements of all applicable laws, rules, regulations and orders of any governmental authority, non-compliance with which might materially adversely affect the financial condition or operations of the Corporation, except that the Corporation need

not comply with a requirement then being contested by it in good faith by appropriate proceedings or to the extent that any failure to so comply would not reasonably be expected to have a Material Adverse Effect;

- (f) from time to time, on 2 days per calendar year, allow the Holder access to visit and inspect its assets, property, premises, books and records at reasonable times situated during reasonable business hours and, unless a Default has occurred and is continuing, upon reasonable advance notice;
- (g) maintain adequate and appropriate insurance on the Corporation's assets and have the Holder named as a loss payee or additional insured, as applicable, under such policies;
- (h) inform the Holder of any event or action which could reasonably be expected to have a Material Adverse Effect;
- (i) keep and maintain its books of account and other accounting records in accordance with applicable accounting standards in effect in Canada; and
- (j) notify the Holder of (A) any material litigation commenced or threatened against the Corporation and furnish the Holder with copies of documents filed in any such material litigation or proceedings at the Holder's reasonable request, (B) any Material Adverse Effect, or (C) the occurrence of any Event of Default or any event which, with the giving of notice or lapse of time or otherwise, could reasonably give rise to an Event of Default.

9.2 Negative Covenants of the Corporation.

The Corporation covenants and agrees with the Holder, until all Obligations are satisfied in full, unless the Holder shall otherwise consent in writing, that the Corporation shall not (and cause Molimentales to not):

- (a) directly or indirectly issue, incur, assume or otherwise become liable for or in respect of any indebtedness other than Permitted Indebtedness;
- (b) permit any Lien on its property or assets other than Permitted Liens;
- (c) convey, sell, lease, license, assign, transfer or otherwise dispose of any of its properties or assets other than in the ordinary course of business (including worn out, unserviceable or obsolete equipment);
- (d) cease to carry on the business currently being carried on by it at the date of this Debenture;
- (e) enter into any scheme for the reconstruction or reorganization of it or for the consolidation, amalgamation, merger, arrangement or similar transaction of it with or into any other person; or
- (f) enter into any agreement or consent to or approve any action that would permit a Change of Control of the Corporation to occur.

ARTICLE 10
EVENTS OF DEFAULT

10.1 Events of Default.

The Corporation shall be in default under this Debenture, unless waived by the Holder, in any of the following events (each an "Event of Default" and together "Events of Default"):

- (a) any Obligor failing to pay to the Holder when due any principal or interest or any other amounts paying under this Debenture or any of the other Transaction Documents;
- (b) except as otherwise provided herein, any Obligor committing a breach of, or defaulting in the due and prompt performance or observance of, any of its covenants or obligations hereunder or any other Transaction Document which, if capable of being cured, has not been remedied within 30 days after the earlier of: (i) written notice to do so has been given by the Holder to the Corporation; or (ii) the Corporation acquires actual knowledge of such breach or default;
- (c) any representation or warranty contained herein or any other Transaction Document made by any Obligor to the Holder proves to have been incorrect in any material respect when made or furnished which, if capable of being cured, has not been remedied within 10 Business Days after the earlier of: (i) written notice to do so has been given by the Holder to the Corporation; or (ii) the Corporation acquires actual knowledge of such breach or default;
- (d) a judgment or order is obtained against any Obligor for an amount in excess of \$500,000, in the aggregate, which remains unsatisfied, undischarged, unvacated, unbanded or unstayed for a period of 45 days during which such judgment shall not be on appeal or execution thereof shall not be effectively stayed;
- (e) the property (either real or personal property) of any Obligor shall be seized (including by way of execution, attachment, garnishment or distraint) or any Lien, other than Permitted Liens, thereon shall be enforced, or such property shall become subject to any charging order or equitable execution of a court, or any writ of enforcement, writ of execution or distress warrant with respect to obligations of any Obligor, or any sheriff civil enforcement agent or other person shall become lawfully entitled to seize or distraint upon any such property under applicable laws whereunder such remedies are provided, and the fair market value of all such affected property is in excess of \$750,000, in the aggregate;
- (f) if any material provision of any Transaction Document shall at any time cease to be in full force and effect, be declared to be void or voidable or shall be repudiated, or the validity or enforceability thereof shall at any time be contested by any Obligor or if any Lien, other than a Permitted Lien, constituted pursuant to the Transaction Documents ceases to have the priority contemplated therein;

- (g) any event or condition that results in any indebtedness of any Obligor becoming due prior to its scheduled maturity or that enables or permits (with or without the giving of notice, the lapse of time or both) the holder or holders of any indebtedness of such Obligor or any trustee or agent on its or their behalf to cause any indebtedness of such Obligor to become due or require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity;
- (h) any Obligor ceases carrying on business, or a substantial part thereof, or sells, leases, assigns, transfers, conveys or otherwise disposes of all or substantially all of its property or assets;
- (i) if any event or circumstance has occurred and is continuing which, in the opinion of the Holder, would reasonably be expected to give rise to a Material Adverse Effect;
- (j) an order being made, a petition being filed or a resolution being passed for the winding up, dissolution or liquidation of any Obligor or for the suspension of the operations of any Obligor and such order, petition or a resolution is not rescinded, released, bonded, satisfied, discharged, vacated or stayed within 45 days after its entry, issuance, commencement or levy;
- (k) any execution, extent or sequestration or other process of any court becoming enforceable against any Obligor, as applicable, or a distress or analogous process being levied against any substantial part of the property of any Obligor, and such execution, extent, sequestration, distress or other process not being released, vacated or fully bonded within 45 days after becoming enforceable or levied, as the case may be;
- (l) any Obligor (i) becoming insolvent; (ii) voluntarily commencing any proceeding or filing any petition seeking relief under the *Bankruptcy and Insolvency Act*, the *Companies' Creditors Arrangement Act* or any similar act; (iii) committing an act of bankruptcy; (iv) applying for or consenting to the appointment of a custodian, liquidator, sequestrator, conservator, receiver, receiver and manager, receiver-manager or trustee or any other person with similar powers for such Obligor, or for any substantial part of the property of such Obligor; (v) making an assignment for the benefit of creditors or a proposal or similar action under the *Bankruptcy and Insolvency Act* or the *Companies' Creditors Arrangement Act* or any similar act; (vi) commencing any other proceedings relating to it under any reorganization, arrangement, readjustment of debt, dissolution or liquidation law or statute of any jurisdiction or (vii) by any act indicating its consent to, approval of, or acquiescence in, any such proceeding;
- (m) (i) a petition or case being filed or presented against any Obligor pursuant to the *Bankruptcy and Insolvency Act* or the *Companies' Creditors Arrangement Act* or any similar act or (ii) a petition or case being filed or presented seeking the appointment of a custodian, liquidator, sequestrator, conservator, receiver, receiver and manager, receiver-manager or trustee or any other person with similar powers for any Obligor, or for any substantial part of the property of any Obligor, and, in the case of each of

foregoing clause (i) and clause (ii), such petition or case not being dismissed within 30 days of its filing or presentment; and

- (n) a custodian, liquidator, sequestrator, conservator, receiver, receiver and manager, receiver-manager or trustee or any other person with similar powers being appointed for any Obligor, or for any substantial part of the property of any Obligor and such appointment shall continue for 30 consecutive days without having been vacated or discharged.

provided that an Event of Default, other than those set out in paragraphs (a), (b), (c), (d), (j), (k), (l), (m), and (n) above, shall cease to constitute an Event of Default if such Event of Default is curable and if the Obligors cure the same within 15 days of the earlier of: (i) any Obligor acquiring actual knowledge of such Event of Default; or (ii) receipt by Corporation of written notice of such Event of Default.

10.2 Acceleration.

Upon the occurrence of an Event of Default which is continuing and the expiry of any applicable curative periods, the Holder may deliver a demand to the Corporation and upon which, the Obligations then outstanding shall immediately become due and payable, provided that upon the occurrence under any Event of Default set out in Sections 10.1(j), 10.1(k), 10.1(l), 10.1(m), and 10.1(n), all of the Obligations then outstanding shall automatically become due and payable, in each case, without protest, presentment, demand or further notice of any kind, of which are expressed waived by the Corporation.

ARTICLE 11 MISCELLANEOUS

11.1 Resale restrictions

All securities of the Corporation issuable in connection with the conversion of this Debenture shall be subject to such resale restrictions as may be required under applicable securities law.

11.2 Binding Obligation

This Debenture shall constitute a binding obligation of the Corporation as and from the Issue Date until the repayment or conversion of the Debentures in their entirety in accordance with the terms hereof.

11.3 Time

Time shall be of the essence of this Debenture.

11.4 Governing Law

This Debenture shall be governed by, interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein. The Holder irrevocably attorns and submits to the exclusive jurisdiction of the courts of the Province of Ontario with respect to any matters arising out of this Debenture and waives objection to the venue of any proceeding in such court or that such court provides an inconvenient forum.

11.5 Amendments; No Waiver.

- (a) No amendment or waiver of any provision of this Debenture, nor consent to any departure by the Corporation or any other person from such provisions, is effective unless in writing and approved by the Corporation. Any amendment, waiver or consent is effective only in the specific instance and for the specific purpose for which it was given.
- (b) No failure on the part of the Corporation to exercise, and no delay in exercising, any right under this Debenture shall operate as a waiver of such right; nor shall any single or partial exercise of any right under this Debenture preclude any other or further exercise of such right or the exercise of any other right.
- (c) This Debenture may only be amended with a written instrument signed by both the Corporation and the Holder.

11.6 Counterparts.

- (a) This Debenture may be executed by facsimile or other electronic means and in two or more counterparts, each of which shall be deemed an original and all of which shall constitute one and the same instrument.
- (b) This Debenture may be signed (either manually or by electronic signature) by any one authorized signatory of the Corporation and the Holder being authorized at the time of signing. An electronic signature upon this Debenture shall be deemed to be the signature of the person whose signature it purports to be.

11.7 Severability

If any one or more of the provisions or parts thereof contained in this Debenture should be or become invalid, illegal or unenforceable, the remaining provisions or parts thereof contained herein shall be and shall be conclusively deemed to be, severable therefrom and the validity, legality or enforceability of such remaining provisions or parts thereof shall not in any way be affected or impaired by the severance of the provisions or parts thereof severed.

11.8 Headings

The headings of the articles, sections, subsections and clauses of this Debenture have been inserted for convenience and reference only and do not define, limit, alter or enlarge the meaning of any provision of this Debenture.

11.9 No Assignment; Binding Effect

This Debenture may not be transferred or assigned by the Corporation or the Holder, in whole or in part, without the other party's prior written consent, other than to an Affiliate of the Holder, a Unitholder of the Delbrook Resource Opportunities Fund and/or a Limited Partner of the Delbrook Resource Opportunities Master Fund LP, and provided such transfer does not result in the imposition of

any penalty, interest or other liability for any applicable Withholding Tax. Subject thereto, this Debenture and all of its provisions shall enure to the benefit of the Holder, its successors and permitted assigns, and shall be binding upon the Corporation and its successors and permitted assigns.

11.10 Paramountcy

In the event of any inconsistency between this Debenture and the Term Sheet, this Debenture shall govern.

11.11 Arrangement Fee

On the Issue Date, the Corporation shall pay the Holder a financing fee of \$125,000.

11.12 Matters Relating to Interest

- (a) Unless otherwise stated in this Debenture, if reference is made herein to a rate of interest, discount fee or other amount "per annum" or a similar expression is used, such interest, discount fee or other amount shall be calculated on the basis of a year of three hundred and sixty-five (365) or three hundred and sixty-six (366) days, as the case may be. If the amount of any interest, discount fee or other amount is determined or expressed on the basis of a period of less than the actual number of days in the calendar year of calculation, then for the purposes of the *Interest Act* (Canada), the equivalent yearly rate is equal to the rate so determined or expressed, divided by the number of days in the said period, and multiplied by the actual number of days in that calendar year.
- (b) Notwithstanding any other provisions of this Debenture, if the amount of any interest, premium, fees or other monies or any rate of interest stipulated for, taken, reserved or extracted would otherwise contravene the provisions of Section 347 of the *Criminal Code* (Canada), Section 8 of the *Interest Act* (Canada) or any successor or similar legislation, or would exceed the amounts which any Holder is legally entitled to charge and receive under any law to which such compensation is subject, then such amount or rate of interest shall be reduced to such maximum amount as would not contravene such provision, and to the extent that any excess has been charged or received such Holder shall apply such excess against the Principal Amount outstanding at such time and refund any further excess amount.

ARTICLE 12
NOTICE

12.1 Notices

Any notice, direction or other instrument required or permitted to be given to any party hereto shall be in writing and shall be sufficiently given if delivered personally, or transmitted via email to such party as follows:

(a) in the case of the Corporation, to:

902-18 King Street East
Toronto, Ontario
M5C 1C4

Attention: Mr. Arturo Bonillas, Chief Executive Officer
Email: abonillas@magnagoldcorp.com

(b) in the case of the Holder, to:

1500 - 1199 West Hastings Street
Vancouver, BC
V6E 3T5

Attention: Mr. Matthew Zabloski, Managing Director
Email: Matt@delbrookcapital.com

Any such notice, direction or other instrument, if delivered personally, shall be deemed to have been given and received on the day on which it was delivered, provided that if such day is not a Business Day then the notice, direction or other instrument shall be deemed to have been given and received on the first Business Day next following such day and if transmitted by email, shall be deemed to have been given and received on the day of its transmission, provided that if such day is not a Business Day or if it is transmitted or received after the end of normal business hours then the notice, direction or other instrument shall be deemed to have been given and received on the first Business Day next following the day of such transmission.

Any party hereto may change its address for service from time to time by notice given to each of the other parties hereto in accordance with the foregoing provisions.

Notwithstanding any other provision of this Debenture, any notice or information required to be delivered with respect to the Obligors under this Debenture shall be deemed to have been given on the date on which such notice or information has been posted on the Corporation's website on the Internet, at www.sedar.com or at another website identified by the Corporation by notice to the Holder and accessible by the Holder without charge.

12.2 Further Assurances

The Corporation shall and shall cause Molimentales to, from time to time and at all times hereafter, upon reasonable written request of the Holder, make, do, execute, and deliver or cause to be made, done, executed and delivered all such further acts, deeds, assurances and things as may be necessary in the reasonable opinion of the Holder for more effectually implementing and carrying out the true intent and meaning of the Transaction Documents or any agreement delivered pursuant hereto or thereto.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF the Corporation and the Holder have each duly executed this Debenture as of the Issue Date first above written.

By the Corporation:

MAGNA GOLD CORP.

By: 

Name: Francisco Arturo Bonillas Zepeda

Title: President and Chief Executive Officer

By the Holder:

DELBROOK RESOURCE OPPORTUNITIES FUND
by its investment manager,
DELBROOK CAPITAL ADVISORS INC.

By: _____

Name: Matthew Zabloski

Title: Managing Director

IN WITNESS WHEREOF the Corporation and the Holder have each duly executed this Debenture as of the Issue Date first above written.

By the Corporation:

MAGNA GOLD CORP.

By: _____
Name: Francisco Arturo Bonillas Zepeda
Title: President and Chief Executive Officer

By the Holder:

**DELBROOK RESOURCE OPPORTUNITIES FUND
by its investment manager,
DELBROOK CAPITAL ADVISORS INC.**

By: 
Name: Matthew Zabloski
Title: Managing Director

EXHIBIT A
MINING CONCESSIONS

1. Mining concession "San Francisco", certificate number 198971, registered before the Mining Public Registry on February 10, 1994, under the Mining Concession Book, Volume 278, and number 311 page 156;
2. Mining concession "San Francisco Dos", certificate number 209618, registered before the Mining Public Registry on August 2, 1999, under the Mining Concession Book, Volume 308, and number 158 page 79;
3. Mining concession "San Francisco Cuatro", certificate number 219301, registered before the Mining Public Registry on February 24, 2003, under the Mining Concession Book, Volume 335, and number 121 page 61;
4. Mining concession "Llano II", certificate number 197203, registered before the Mining Public Registry on August 23, 1993, under the Mining Concession Book, Volume 273, and number 343 page 172;
5. Mining concession "Llano III", certificate number 197202, registered before the Mining Public Registry on August 23, 1993, under the Mining Concession Book, Volume 273, and number 342 page 171;
6. Mining concession "Llano IV", certificate number 222787, registered before the Mining Public Registry on August 30, 2004, under the Mining Concession Book, Volume 345, and number 7 page 4;
7. Mining concession "Llano V", certificate number 222788, registered before the Mining Public Registry on August 30, 2004 under the Mining Concession Book, Volume 345, and number 8 page 4;
8. Mining concession "Timmins", certificate number 226519 registered before the Mining Public Registry on January 23, 2006, under the Mining Concession Book, Volume 355, and number 139 page 70;
9. Mining concession "Timmins III F-1", certificate number 227237, registered before the Mining Public Registry on May 25, 2006, under the Mining Concession Book, Volume 357, and number 137 page 69;
10. Mining concession "Timmins III F-2", certificate number 227238, registered before the Mining Public Registry on May 25, 2006, under the Mining Concession Book, Volume 357, and number 138 page 69;
11. Mining concession "Timmins III Fracción Sur", certificate number 228260, registered before the Mining Public Registry on October 16, 2006, under the Mining Concession Book, Volume 360, and number 80 page 40;

12. Mining concession "Pima Reduccion", certificate number 244788, registered before the Mining Public Registry on January 18, 2016, under the Mining Concession Book, Volume 406, and number 48 page 24;
13. Mining concession "La Mexicana", certificate number 191137, registered before the Mining Public Registry on April 29, 1991, under the Mining Concession Book, Volume 262, and number 397 page 100;
14. Mining concession "Norma Reduccion", certificate number 244787, registered before the Mining Public Registry on January 18, 2016, under the Mining Concession Book, Volume 406, and number 47 page 24;
15. Mining concession "Patricia", certificate number 229241, registered before the Mining Public Registry on March 26, 2007 under the Mining Concession Book, Volume 362, and number 341 page 171;
16. Mining concession "Los Carlos", certificate number 227334, registered before the Mining Public Registry on June 8, 2006, under the Mining Concession Book, Volume 357, and number 234 page 117;
17. Mining concession "Los Carlos 2", certificate number 215707, registered before the Mining Public Registry on March 4, 2002, under the Mining Concession Book, Volume 325, and number 127 page 64;
18. Mining concession "Los Carlos 3", certificate number 225423, registered before the Mining Public Registry on September 5, 2005, under the Mining Concession Book, Volume 352, and number 123 page 62;
19. Mining concession "Dulce", certificate number 228428, registered before the Mining Public Registry on November 21, 2006, under the Mining Concession Book, Volume 360, and number 248 page 124;
20. Mining concession "Dulce I", certificate number 240007, registered before the Mining Public Registry on March 28, 2012, under the Mining Concession Book, Volume 392, and number 307 page 154; and
21. Mining concession "TMC", certificate number 246752, registered before the Mining Public Registry on November 15, 2018, under the Mining Concession Book, Volume 411, and number 212 page 106.

**SCHEDULE A
FORM OF CONVERSION NOTICE**

To:

Magna Gold Corp.
902-18 King Street East
Toronto, Ontario
M5C 1C4

Attention: Mr. Arturo Bonillas, Chief Executive Officer

Email: abonillas@magnagoldcorp.com

Note: All capitalized terms used herein have the meaning ascribed thereto in the Debenture mentioned below, unless otherwise indicated.

Notice is hereby given pursuant to Article 4.1(a) of the convertible debenture dated as of August 19, 2021 (the "**Debenture**") issued by the Corporation, as issuer, in favour of Delbrook Capital Advisors Inc., as Holder, that the undersigned, the registered holder of convertible debentures due August 19, 2023 bearing Certificate No. <*> irrevocably elects to convert such Debentures to Common Shares on the date of conversion specified below, in accordance with the terms of the Debenture and tenders herewith the Debenture, and directs that the Common Shares of the Corporation issuable and deliverable upon such conversion be issued and delivered to the Person indicated below. (If Common Shares are to be issued in the name of a Person other than the Holder, all requisite transfer taxes must be tendered by the undersigned.)

Dated: [●]

By:

**DELBROOK RESOURCE OPPORTUNITIES FUND
by its investment manager,
DELBROOK CAPITAL ADVISORS INC.**

By:

Name: Matthew Zabloski

Title: Managing Director

1. Date of conversion: [●]

2. If less than the full Principal Amount of the Debenture, indicate in the space provided below the Principal Amount (which must be at least \$10,000 or integral multiples thereof) to be converted:

Principal amount to be converted \$ _____ (must be \$10,000 or integral multiples thereof).

3. If the Make-Whole Amount is to be paid in cash in accordance with Article 4.1(a)(i), indicate the Make-Whole Amount in the space provided \$ _____ (Make-Whole Amount);

or

If the Make-Whole Amount is to be converted to Common Shares in accordance with Article 4.1(a)(ii), then please indicate same by initialing in the space provided here X _____ (Initials);

4. Print name in which Common Shares are to be issued, delivered and registered:

Name:

Address (City, Province and
Postal Code):

Name of Guarantor:

Authorized Signature:

NOTE: If Common Shares are to be issued in the name of a person other than the Holder, the signature must be guaranteed by a bank, by a trust company, or by a member firm of a recognized stock exchange.

**ONTARIO
SUPERIOR COURT OF JUSTICE
(BANKRUPTCY AND INSOLVENCY)
COMMERCIAL LIST**

Proceedings Commenced at Toronto

**AFFIDAVIT OF LESLIE KAPUSIANYK
(Sworn March 20, 2023)**

BENNETT JONES LLP
One First Canadian Place
Suite 3400, P.O. Box 130
Toronto, Ontario
M5X 1A4

Sean Zweig (LSO# 57307I)
Aiden Nelms (LSO# 74170S)

Tel: 416-777-6254
Fax: 416-863-1716

Lawyers for Magna Gold Corp.

**T
A
B
3**

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

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*,
R.S.C. 1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
MAGNA GOLD CORP.**

Applicant

NOTICE OF APPLICATION

TO THE RESPONDENT(S)

A LEGAL PROCEEDING HAS BEEN COMMENCED by the Applicant. The claim made by the Applicant appears on the following page.

THIS APPLICATION will come on for a hearing before a Judge presiding over the Commercial List at a Zoom link to be provided by the Ontario Superior Court of Justice (Commercial List) on March 27, 2023 at 10:30 a.m. A link to access the videoconference will be circulated to the Service List.

IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the Rules of Civil Procedure, serve it on the Applicant's lawyer or, where the Applicant does not have a lawyer, serve it on the Applicant, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the Applicant's lawyer or, where the Applicant does not have a lawyer, serve it on the Applicant, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but not later than 2 p.m. Eastern on the day before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO OPPOSE THIS APPLICATION BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

Date: _____

Issued by: _____
Local Registrar

Address of court office: 330 University Avenue, 9th Floor
Toronto, ON M5G 1R7

TO: **THE SERVICE LIST**

APPLICATION

THE APPLICANT MAKES THIS APPLICATION FOR:

1. An Order substantially in the form attached as Schedule "A" to this Notice of Application (the "**Initial Order**") that, *inter alia*:
 - (a) declares that the Applicant is an entity to which the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**") applies;
 - (b) authorizes the continuation under the CCAA of the proceedings under the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**"), commenced by the Applicant pursuant to a Notice of Intention to Make a Proposal (the "**NOI**") filed on March 3, 2023 (the "**Proposal Proceedings**");
 - (c) appoints KSV Restructuring Inc. ("**KSV**") as an officer of this Court (in such capacity, the "**Proposed Monitor**") to monitor the assets, business and affairs of the Applicant (as appointed, the "**Monitor**");
 - (d) stays, for an initial period of not more than ten (10) days (the "**Stay of Proceedings**"), all proceedings and remedies taken or that might be taken in respect of the Applicant, the Monitor or the Directors and Officers or affecting the Applicant's business or the Property (each as defined below), except with the written consent of the Applicant and the Monitor, or with leave of this Court;
 - (e) grants the Administration Charge and Directors' Charge (each as defined below) over the Applicant's current and future assets, undertakings and property of every nature and kind whatsoever and wherever situated, including all proceeds thereof (collectively, the "**Property**");
 - (f) authorizes the decision by the Applicant to incur no further expenses in relation to any filings and disclosures that may be required by any federal, provincial or other laws respecting securities or capital markets in Canada or the United States;

- (g) relieves the Applicant of any obligation to call and hold its annual general meeting of shareholders (the "**AGM**") until further Order of the Court; and
- (h) approves the First Report of KSV in its capacity as proposal trustee in the Proposal Proceedings (in such capacity, the "**Proposal Trustee**") and the Report of the Proposed Monitor, to be filed (the "**Report**"), and the activities of KSV described therein.

2. If the Initial Order is granted, an Order at the "comeback hearing" substantially in the form attached as Schedule "B" to this Notice of Application (the "**Stay Extension Order**") that , *inter alia*:

- (i) extends the Stay of Proceedings until and including [June 2], 2023 (the "**Stay Extension**"); and
- (j) grants such other relief as may be required to advance the Applicant's restructuring;

THE GROUNDS FOR THIS APPLICATION ARE:

General

- (k) the Applicant is insolvent and is a company to which the CCAA applies;
- (l) the Applicant is a Canadian company;
- (m) the Applicant is a reporting issuer with its common shares currently listed on: (i) the NEX Board of the TSX Venture Exchange (the "**TSXV**") with the trading symbol MGR.H; and (ii) OTC Pink with the trading symbol MGLQF;
- (n) substantially all of the Applicant's value is derived through its equity interests in its direct and indirect subsidiaries (collectively, the "**Subsidiaries**", and together with the Applicant, the "**Magna Group**"). The Magna Group is a Mexico-focused mineral resource company engaged in the acquisition, exploration, development and operation of mineral properties;
- (o) substantially all of the Magna Group's assets are located outside of Canada;

- (p) the Magna Group's principal projects are its 100% interests in: (i) the San Francisco Project; (ii) the Mercedes Project; and (iii) the Margarita Project, each of which have technical reports that are NI 43-101 compliant. In addition to the foregoing projects, the Applicant has certain additional mineral projects that are, for the most part, in the exploration phase and subject to option agreements;
- (q) due to, among other things, the production of its operational projects, its cash position, its forecast revenue, the COVID-19 pandemic and liquidity issues, the Magna Group has been unable to service its debt or meet certain of its other ordinary course obligations. As a result, and after careful consideration, on March 3, 2023 (the "**NOI Filing Date**"), the Applicant filed the NOI and initiated the Proposal Proceedings;
- (r) concurrent with the NOI, the Applicant's indirect subsidiary, Molimentales del Noroeste, S.A. de C.V ("**Molimentales**"), filed an application (the "**Molimentales Application**") for restructuring and provisional creditor protection before the Second District Court for Insolvency Matters (the "**Mexican Court**") located in Mexico City, Mexico (the "**Molimentales Proceedings**");
- (s) pursuant to the BIA, under the Proposal Proceedings, the Applicant is required to make a proposal that is acceptable to its creditors within six (6) months of the NOI Filing Date;
- (t) given that a significant amount of the Applicant's value is its equity in Molimentales and it is expected that the Molimentales Proceedings will take in excess of six (6) months, the Applicant has determined that it would be appropriate to continue the Proposal Proceedings under the CCAA;
- (u) absent a continuation of the Proposal Proceedings under the CCAA, a deemed bankruptcy would likely result which would be detrimental to the Applicant's creditors and other stakeholders;
- (v) KSV has consented to act as the Monitor in the proposed CCAA proceedings;

The Stay of Proceedings

- (w) the Applicant's liquidity constraints make it vulnerable to potential enforcement action from its creditors and it is currently unable to satisfy its obligations as they become due. Accordingly, the Applicant requires the Stay of Proceedings to maintain the *status quo* and thereby protect the value of its business;
- (x) the breathing room afforded by the Stay of Proceedings will permit the Applicant to continue to operate as a going-concern with minimal disruption to its ordinary course business operations, allow it to monitor the Molimentales Proceedings and explore various strategic alternatives with a view to maximizing stakeholder value;
- (y) absent the Stay of Proceedings, the Applicant will not be able to continue to operate its business;
- (z) as demonstrated by the cash flow analysis appended to the Report (the "**Cash Flow Forecast**"), the Applicant is expected to have sufficient liquidity to meet its ordinary course obligations over the initial period of these proposed CCAA proceedings without the need for debtor-in-possession financing;

Priority Charges

- (aa) the Applicant is seeking a Court-ordered priority charge over the Property in favour of the Monitor, as well the Monitor's and the Applicant's counsel, to secure payment of their respective fees and disbursements incurred in connection with services rendered in respect of the Applicant up to a maximum amount of \$300,000 (the "**Administration Charge**");
- (bb) the Applicant is also seeking a priority charge over the Property in favour of the Applicant's directors and officers (collectively, the "**Directors and Officers**") up to a maximum amount of \$300,000 (the "**Directors' Charge**" and together with the Administration Charge, the "**Charges**");
- (cc) the Charges are proposed to rank in the following priority pursuant to the Initial Order:

First – Administration Charge (up to the maximum amount of \$300,000);
and

Second – Directors' Charge (up to the maximum amount of \$300,000);

- (dd) the Proposed Monitor is supportive of the granting of each of the Charges and their quantum;

Securities Relief

- (ee) as noted above, the Applicant is a reporting issuer with its common shares listed on the NEX Board and the OTC Pink and, as a result, has certain regulatory and reporting obligations to remain in compliance;
- (ff) in light of the Applicant's significant liquidity constraints, it has determined that directing further time and resources to securities reporting is not appropriate or practical at this time;
- (gg) the Applicant is seeking relief authorizing its decision to incur no further expenses in relation to any filings, disclosures, core or non-core documents, restatements, amendments to existing filings, press releases, financial reporting or any other actions that may be required by any federal, provincial or other law relating to securities or capital markets in Canada or the United States and other rules and policies of the TSXV, NEX Board or OTC Pink;
- (hh) the Applicant also has certain obligations to call and hold its annual general meeting of shareholders (each an "AGM");
- (ii) the Applicant believes it would be a distraction and unnecessary expense for it to hold an AGM in the circumstances where it is subject to creditor protection and is accordingly seeking to be relieved of any obligation to call and hold an AGM until further Order of this Court;
- (jj) a significant amount of financial and other information is being, and will continue to be, disclosed in the CCAA proceedings such that the shareholders and other

stakeholders will continue to have an uninterrupted access to, among other things, the Applicant's operational and financial information;

Stay Extension Order

- (kk) should the proposed Initial Order be granted, the Applicant is also seeking, at the "comeback hearing" on a date to be determined by the Court, the Stay Extension Order, which, among other things, seeks to extend the Stay of Proceedings until and including June 2, 2023;
- (ll) the proposed Stay Extension will allow the Applicant to continue to, among other things: (i) operate its business in the ordinary course; (ii) monitor the Molimentales Proceedings; and (iii) work to evaluate its going-concern options with a view to maximizing stakeholder value;
- (mm) as demonstrated by the Cash Flow Forecast, the Applicant is expected to have sufficient liquidity to meet its ordinary course obligations throughout the requested Stay Extension;

Other Grounds

- (nn) the provisions of the CCAA, including, without limitation, section 11.6, and the statutory, inherent and equitable jurisdiction of this Honourable Court;
- (oo) rules 1.04, 2.03, 3.02, 14.05(2), 16, 38 and 39 of the Ontario *Rules of Civil Procedure*, R.R.O 1990, Reg. 194, as amended and sections 106 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43 as amended; and
- (pp) such further and other grounds as counsel may advise and this Honourable Court may permit.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the application for the Initial Order and the Stay Extension Order:

- (a) the Affidavit of Leslie Kapusianyuk sworn March 20, 2023;

- (b) the consent of KSV to act as Monitor in the CCAA proceedings;
- (c) the Factum of the Applicant, to be filed;
- (d) the First Report of the Proposal Trustee and the Report of the Proposed Monitor, to be filed; and
- (e) such further and other evidence as counsel may advise and the Court may permit.

March 20, 2023

BENNETT JONES LLP

One First Canadian Place
Suite 3400, P.O. Box 130
Toronto, Ontario
M5X 1A4

Sean Zweig (LSO# 57307I)
Aiden Nelms (LSO# 74170S)

Tel: 416-777-6254
Fax: 416-863-1716

Lawyers for the Applicant

Schedule "A"

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

THE HONOURABLE) MONDAY, THE 27th
JUSTICE MCEWEN) DAY OF MARCH, 2023
)

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C.
1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
MAGNA GOLD CORP.**

Applicant

INITIAL ORDER

THIS APPLICATION, made by Magna Gold Corp. ("**Magna**" or the "**Applicant**") for an initial order pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), was heard this day via video conference.

ON READING the affidavit of Leslie Kapusianyk sworn March 20, 2023 and the exhibits thereto (the "**Kapusianyk Affidavit**"), the First Report of the Proposal Trustee and the Pre-Filing Report of KSV Restructuring Inc. ("**KSV**") in its capacity as the proposed Monitor of the Applicant (the "**Report**"), filed, and the appendices thereto, and the consent of KSV to act as the monitor of the Applicant (in such capacity, the "**Monitor**"), and on being advised that there are no secured creditors who are likely to be affected by the charges created herein, and on hearing the submissions of counsel for the Applicant and the Monitor, no one else appearing although duly served as appears from the affidavit of service of Aiden Nelms sworn March 20, 2023;

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Application, the Application Record and the Report is hereby abridged, to the extent necessary, and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

CONTINUANCE UNDER THE CCAA

2. **THIS COURT ORDERS AND DECLARES** that the Applicant is a company to which the CCAA applies.

3. **THIS COURT ORDERS AND DECLARES** that the proposal proceedings (the "**Proposal Proceedings**") of Magna bearing Estate/Court File No.: 31-2917856 commenced under Part III of the *Bankruptcy and Insolvency Act*, R.S.C. 1985 c. B-3, as amended (the "**BIA**"), are hereby taken up and continued under the CCAA and that, as of the date hereof, the provisions of Part III of the BIA shall have no further application to Magna, save that any and all steps, agreements and procedures validly taken, done or entered into by Magna during the Proposal Proceedings shall remain valid and binding, notwithstanding the commencement of the CCAA proceedings.

4. **THIS COURT ORDERS** that, for clarity, Magna shall not be deemed to have made an assignment based on its failure to file a proposal with the official receiver notwithstanding s. 50.4(8) of the BIA.

PLAN OF ARRANGEMENT

5. **THIS COURT ORDERS** that the Applicant shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "**Plan**").

POSSESSION OF PROPERTY AND OPERATIONS

6. **THIS COURT ORDERS** that the Applicant shall remain in possession and control of its current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to further Order of this Court, the Applicant shall continue to carry on business in a manner consistent with the preservation of its business (the "**Business**") and Property. The Applicant is authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively, "**Assistants**") currently retained or

employed by it, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

7. **THIS COURT ORDERS** that the Applicant shall be entitled to continue to utilize its existing cash management system currently in place as described in the Kapusianyk Affidavit or replace it with another substantially similar cash management system (the "**Cash Management System**") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicant of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Applicant, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

8. **THIS COURT ORDERS** that the Applicant shall be entitled but not required to pay the following expenses and satisfy the following obligations, whether incurred prior to or after this Order:

- (a) all outstanding and future wages, salaries, commissions, compensation, employee benefits, pension contributions, vacation pay and expenses (including, without limitation, payroll and benefits processing and servicing expenses) payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and
- (b) the fees and disbursements of any Assistants retained or employed by the Applicant in respect of these proceedings, at their standard rates and charges.

9. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, the Applicant shall be entitled but not required to pay all reasonable expenses incurred by the Applicant in carrying on the Business in the ordinary course after this Order, and in carrying out

the provisions of this Order and any other Order of this Court, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services;
- (b) payment for goods or services actually supplied to the Applicant following the date of this Order; and
- (c) any payment referred to in paragraphs 98(a) or 98(b) of this Order that: (i) was incurred during the Proposal Proceedings or that pertains to such a period; or (ii) pertains to the period prior to the commencement of the Proposal Proceedings if, in the opinion of the Applicant and with the consent of the Monitor, the supplier of the applicable good or service is critical to the Business and the ongoing operations of the Applicant.

10. **THIS COURT ORDERS** that the Applicant shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, and (iii) income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Applicant in connection with the sale of goods and services by the Applicant, but only where such Sales Taxes are accrued or collected after the date that the Proposal Proceedings commenced, or where such Sales Taxes were accrued or collected prior to such date but not required to be remitted until on or after such date; and

- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicant.

11. **THIS COURT ORDERS** that, except as specifically permitted herein, the Applicant is hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicant to any of its creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of the Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business or pursuant to this Order, or any other Order of this Court.

RESTRUCTURING

12. **THIS COURT ORDERS** that the Applicant shall, subject to such requirements as are imposed by the CCAA, have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of its business or operations, and to dispose of redundant or non-material assets not exceeding \$100,000 in any one transaction or \$250,000 in the aggregate;
- (b) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate; and
- (c) pursue all avenues of refinancing or restructuring of the Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing,

all of the foregoing to permit the Applicant to proceed with an orderly restructuring of the Business.

NO PROCEEDINGS AGAINST THE APPLICANT OR THE PROPERTY

13. **THIS COURT ORDERS** that until and including April [●] 2023, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the Applicant or the Monitor, or affecting the Business or the Property, except with the written consent of the Applicant and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicant or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

14. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of the Applicant or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicant and the Monitor, or leave of this Court, provided that nothing in this Order shall: (i) empower the Applicant to carry on any business which the Applicant is not lawfully entitled to carry on; (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA; (iii) prevent the filing of any registration to preserve or perfect a security interest; or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

15. **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicant (in each case whether written or oral), except with the written consent of the Applicant and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

16. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Applicant or statutory or regulatory mandates for the supply of goods and/or

services, including without limitation all computer software, communication and other data services, centralized banking services, payroll and benefits services, insurance, transportation services, utility or other services to the Business or the Applicant, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicant, and that the Applicant shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Applicant in accordance with normal payment practices of the Applicant or such other practices as may be agreed upon by the supplier or service provider and each of the Applicant and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

17. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of leased or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicant. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

18. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicant with respect to any claim against the directors or officers that arose before or arises after the date the Proposal Proceedings commenced and that relates to any obligation of the Applicant whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicant.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

19. **THIS COURT ORDERS** that the Applicant shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicant after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

20. **THIS COURT ORDERS** that the directors and officers of the Applicant shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of \$300,000, as security for the indemnity provided in paragraph 19 of this Order. The Directors' Charge shall have the priority set out in paragraphs 35 and 37 herein.

21. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicant's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 19 of this Order.

APPOINTMENT OF MONITOR

22. **THIS COURT ORDERS** that KSV is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicant with the powers and obligations set out in the CCAA or set forth herein and that the Applicant and its shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicant pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

23. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Applicant's receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) advise the Applicant in its preparation of the its cash flow statements;
- (d) advise the Applicant in its development of the Plan and any amendments to the Plan;
- (e) assist the Applicant, to the extent required by the Applicant, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
- (f) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicant to the extent that is necessary to adequately assess the Applicant's business and financial affairs or to perform its duties arising under this Order;
- (g) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (h) perform such other duties as are required by this Order or by this Court from time to time.

24. **THIS COURT ORDERS** that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

25. **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

26. **THIS COURT ORDERS** that the Monitor shall provide any creditor of the Applicant with information provided by the Applicant in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicant is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicant may agree.

27. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

28. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the Applicant shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges and whether incurred prior to, on or after the date hereof, by the Applicant as part of

the costs of these proceedings. The Applicant is hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicant in accordance with the payment terms agreed to with such professionals.

29. **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

30. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the Applicant shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of \$300,000.00, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings and the Proposal Proceedings. The Administration Charge shall have the priority set out in paragraphs 35 and 37 hereof.

DISCHARGE OF KSV AS PROPOSAL TRUSTEE AND APPROVAL OF REPORT

31. **THIS COURT ORDERS** that the Proposal Trustee shall be discharged as proposal trustee of Magna, provided however that KSV shall continue to have the benefit of all protections and stays of proceedings in favour of KSV, in its capacity as proposal trustee of Magna.

32. **THIS COURT ORDERS AND DECLARES** that KSV is hereby released and discharged from any and all liability that KSV now has or may hereafter have by reason of, or in any way arising out of, the acts or omissions of KSV while acting in its capacity as Proposal Trustee for Magna. Without limiting the generality of the foregoing, KSV is hereby forever released and discharged from any and all liability relating to matters that were raised, or which could have been raised, in the Proposal Proceedings for Magna.

33. **THIS COURT ORDERS** that the Report and the activities of KSV, as described in the Report, be and are hereby approved; provided, however that only KSV, in its personal capacity and only with respect to its own personal liability, shall be entitled to rely upon or utilize in any way such approval.

34. **THIS COURT ORDERS** that the fees and disbursements of the Proposal Trustee and its counsel, as set out in the Report, be and are hereby approved.

VALIDITY AND PRIORITY OF THE CHARGES CREATED BY THIS ORDER

35. **THIS COURT ORDERS** that the priorities of the Administration Charge and the Directors' Charge (collectively, the "**Charges**"), shall be as follows:

First – Administration Charge up to the maximum amount of \$300,000.00; and

Second – Directors' Charge up to the maximum amount of \$300,000.00.

36. **THIS COURT ORDERS** that the filing, registration or perfection of the Charges shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

37. **THIS COURT ORDERS** that each of the Charges shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person.

38. **THIS COURT ORDERS** that, except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicant shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges, unless the Applicant also obtain the prior written consent of the Monitor and the beneficiaries of the applicable Charges (collectively, the "**Chargees**"), or further Order of this Court.

39. **THIS COURT ORDERS** that the Charges shall not be rendered invalid or unenforceable and the rights and remedies of the Chargees shall not otherwise be limited or impaired in any way by: (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any

negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds the Applicant, and notwithstanding any provision to the contrary in any Agreement:

- (a) the creation of the Charges shall not create or be deemed to constitute a breach by the Applicant of any Agreement to which the Applicant is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Charges; and
- (c) the payments made by the Applicant pursuant to this Order and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

SECURITIES MATTERS

40. **THIS COURT ORDERS** that the decision by Magna to incur no further expenses in relation to any filings, disclosures, core or non-core documents, restatements, amendments to existing filings, press releases or any other actions (collectively, the "**Securities Filings**") that may be required by any federal, provincial or other law respecting securities or capital markets in Canada or the United States, or by the rules and regulations of a stock exchange, including without limitation, the *Securities Act* (Ontario) and comparable statutes enacted by other provinces of Canada, the *Securities Act of 1933* (United States) and the *Securities Exchange Act of 1934* (United States) and comparable statutes enacted by individual states of the United States, the TSXV Exchange Corporate Finance Manual and other rules, regulations and policies of the TSX Venture Exchange, the NEX Board or OTC Pink (collectively, the "**Securities Provisions**"), is hereby authorized, provided that nothing in this paragraph shall prohibit any securities regulator or stock exchange from taking any action or exercising any discretion that it may have of a nature described in section 11.1(2) of the CCAA as a consequence of Magna failing to make any Securities Filings required by the Securities Provisions.

41. **THIS COURT ORDERS** that none of the directors, officers, employees and other representatives of the Applicant, the Monitor and its directors, officers, employees and representatives, shall have any personal liability for any failure by Magna to make any Securities Filings required by the Securities Provisions.

42. **THIS COURT ORDERS** that Magna be and is hereby relieved of any obligation to call and hold an annual meeting of its shareholders until further Order of this Court.

SERVICE AND NOTICE

43. **THIS COURT ORDERS** that the Monitor's obligations under Section 23(1)(a) of the CCAA and the regulations made thereunder are hereby dispensed with.

44. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/Toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05, this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that the Case Website established in connection with the Proposal Proceedings and referenced at the URL which follows shall constitute the Case Website for these CCAA proceedings in accordance with the Protocol: <https://www.ksvadvisory.com/experience/case/magnagold> (the "**Website**").

45. **THIS COURT ORDERS** that the Monitor shall create, maintain and update as necessary a list of all Persons appearing in person or by counsel in these CCAA proceedings (the "**Service List**"). The Monitor shall post the Service List, as may be updated from time to time, on the Website, provided that the Monitor shall have no liability in respect of the accuracy of, or the timeliness or making any changes to, the Service List.

46. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Applicant and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile or other electronic transmission to the Applicant's creditors or other interested parties at their respective addresses as last shown on the records of the Applicant and that any such service or distribution shall be deemed to be received: (a) if sent by courier, on the next business day following the date of forwarding thereof; (b) if delivered by personal delivery or facsimile or other electronic transmission, on the day so delivered; and (c) if sent by ordinary mail, on the third business day after mailing.

47. **THIS COURT ORDERS** that the Applicant and the Monitor and their counsel are at liberty to serve or distribute this Order, any other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Applicant's creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or judicial obligation, and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS).

GENERAL

48. **THIS COURT ORDERS** that the Applicant or the Monitor may from time to time apply to this Court to amend, vary or supplement this Order, or for advice and directions concerning the discharge of their respective powers and duties under this Order or the interpretation or application of this Order.

49. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicant, the Business or the Property.

50. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States, Mexico or any other foreign jurisdiction, to give effect to this Order and to assist the Applicant, the Monitor and

their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicant and the Monitor and their respective agents in carrying out the terms of this Order.

51. **THIS COURT ORDERS** that each of the Applicant and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

52. **THIS COURT ORDERS** that any interested party (including the Applicant and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to any other Person(s) likely to be affected by the order sought or upon such other notice, if any, as this Court may order, provided, however, that the Chargees shall be entitled to rely on this Order as issued and entered and on the Charges with respect to any fees and disbursements incurred until the date this Order may be amended, varied or stayed.

53. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. (Toronto time) on the date of this Order.

54. **THIS COURT ORDERS** that this Order is effective from today's date and is enforceable without the need for entry and filing.

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF MAGNA GOLD CORP.**

Court File No.: _____

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

Proceedings commenced in Toronto

INITIAL ORDER

BENNETT JONES LLP

One First Canadian Place
Suite 3400, P.O. Box 130
Toronto, Ontario
M5X 1A4

Sean Zweig (LSO# 57307I)

Aiden Nelms (LSO# 74170S)

Tel: 416-777-6254

Fax: 416-863-1716

Lawyers for the Applicant

Schedule "B"

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

THE HONOURABLE) [●], THE [●]
JUSTICE [●]) DAY OF APRIL, 2023
)

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C.
1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
MAGNA GOLD CORP.**

Applicant

STAY EXTENSION ORDER

THIS APPLICATION, made by Magna Gold Corp. ("**Magna**" or the "**Applicant**") for an order pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), was heard this day via video conference.

ON READING the affidavit of Leslie Kapusianykh sworn March 20, 2023 and the exhibits thereto, the First Report of the Proposal Trustee and the Pre-Filing Report of KSV Restructuring Inc. ("**KSV**") in its capacity as the proposed Monitor of the Applicant, filed, and the appendices thereto, and on hearing the submissions of counsel for the Applicant and KSV in its capacity as monitor (in such capacity, the "**Monitor**"), no one else appearing although duly served as appears from the affidavit of service of Aiden Nelms sworn March 20, 2023;

EXTENSION OF THE STAY PERIOD

1. **THIS COURT ORDERS** that the Stay Period (as defined in the Initial Order dated March 27, 2023) be and is hereby extended until and including June 2, 2023.

GENERAL

2. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States, Mexico or any other foreign jurisdiction, to give effect to this Order and to assist the Applicant, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicant and the Monitor and their respective agents in carrying out the terms of this Order.

3. **THIS COURT ORDERS** that each of the Applicant and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

4. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. (Toronto time) on the date of this Order.

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF MAGNA GOLD CORP.**

Court File No.: _____

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

Proceedings commenced in Toronto

STAY EXTENSION ORDER

BENNETT JONES LLP

One First Canadian Place
Suite 3400, P.O. Box 130
Toronto, Ontario
M5X 1A4

Sean Zweig (LSO# 57307I)

Aiden Nelms (LSO# 74170S)

Tel: 416-777-6254

Fax: 416-863-1716

Lawyers for the Applicant

**IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF MAGNA GOLD CORP.**

Court File No.: _____

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

Proceedings Commenced in Toronto

NOTICE OF APPLICATION

BENNETT JONES LLP

One First Canadian Place
Suite 3400, P.O. Box 130
Toronto, Ontario
M5X 1A4

Sean Zweig (LSO# 57307I)

Aiden Nelms (LSO# 74170S)

Tel: 416-777-6254

Fax: 416-863-1716

Lawyers for the Applicant

**T
A
B
4**

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

THE HONOURABLE) MONDAY, THE 27th
JUSTICE MCEWEN) DAY OF MARCH, 2023
)

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C.
1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
MAGNA GOLD CORP.**

Applicant

INITIAL ORDER

THIS APPLICATION, made by Magna Gold Corp. ("**Magna**" or the "**Applicant**") for an initial order pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), was heard this day via video conference.

ON READING the affidavit of Leslie Kapusianyk sworn March 20, 2023 and the exhibits thereto (the "**Kapusianyk Affidavit**"), the First Report of the Proposal Trustee and the Pre-Filing Report of KSV Restructuring Inc. ("**KSV**") in its capacity as the proposed Monitor of the Applicant (the "**Report**"), filed, and the appendices thereto, and the consent of KSV to act as the monitor of the Applicant (in such capacity, the "**Monitor**"), and on being advised that there are no secured creditors who are likely to be affected by the charges created herein, and on hearing the submissions of counsel for the Applicant and the Monitor, no one else appearing although duly served as appears from the affidavit of service of Aiden Nelms sworn March 20, 2023;

SERVICE

1. **THIS COURT ORDERS** that the time for service of the Notice of Application, the Application Record and the Report is hereby abridged, to the extent necessary, and validated so that this Application is properly returnable today and hereby dispenses with further service thereof.

CONTINUANCE UNDER THE CCAA

2. **THIS COURT ORDERS AND DECLARES** that the Applicant is a company to which the CCAA applies.

3. **THIS COURT ORDERS AND DECLARES** that the proposal proceedings (the "**Proposal Proceedings**") of Magna bearing Estate/Court File No.: 31-2917856 commenced under Part III of the *Bankruptcy and Insolvency Act*, R.S.C. 1985 c. B-3, as amended (the "**BIA**"), are hereby taken up and continued under the CCAA and that, as of the date hereof, the provisions of Part III of the BIA shall have no further application to Magna, save that any and all steps, agreements and procedures validly taken, done or entered into by Magna during the Proposal Proceedings shall remain valid and binding, notwithstanding the commencement of the CCAA proceedings.

4. **THIS COURT ORDERS** that, for clarity, Magna shall not be deemed to have made an assignment based on its failure to file a proposal with the official receiver notwithstanding s. 50.4(8) of the BIA.

PLAN OF ARRANGEMENT

5. **THIS COURT ORDERS** that the Applicant shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "**Plan**").

POSSESSION OF PROPERTY AND OPERATIONS

6. **THIS COURT ORDERS** that the Applicant shall remain in possession and control of its current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to further Order of this Court, the Applicant shall continue to carry on business in a manner consistent with the preservation of its business (the "**Business**") and Property. The Applicant is authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively, "**Assistants**") currently retained or

employed by it, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

7. **THIS COURT ORDERS** that the Applicant shall be entitled to continue to utilize its existing cash management system currently in place as described in the Kapusianyk Affidavit or replace it with another substantially similar cash management system (the "**Cash Management System**") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the Applicant of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Applicant, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.

8. **THIS COURT ORDERS** that the Applicant shall be entitled but not required to pay the following expenses and satisfy the following obligations, whether incurred prior to or after this Order:

- (a) all outstanding and future wages, salaries, commissions, compensation, employee benefits, pension contributions, vacation pay and expenses (including, without limitation, payroll and benefits processing and servicing expenses) payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and
- (b) the fees and disbursements of any Assistants retained or employed by the Applicant in respect of these proceedings, at their standard rates and charges.

9. **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, the Applicant shall be entitled but not required to pay all reasonable expenses incurred by the Applicant in carrying on the Business in the ordinary course after this Order, and in carrying out

the provisions of this Order and any other Order of this Court, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services;
- (b) payment for goods or services actually supplied to the Applicant following the date of this Order; and
- (c) any payment referred to in paragraphs 98(a) or 98(b) of this Order that: (i) was incurred during the Proposal Proceedings or that pertains to such a period; or (ii) pertains to the period prior to the commencement of the Proposal Proceedings if, in the opinion of the Applicant and with the consent of the Monitor, the supplier of the applicable good or service is critical to the Business and the ongoing operations of the Applicant.

10. **THIS COURT ORDERS** that the Applicant shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, and (iii) income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, "**Sales Taxes**") required to be remitted by the Applicant in connection with the sale of goods and services by the Applicant, but only where such Sales Taxes are accrued or collected after the date that the Proposal Proceedings commenced, or where such Sales Taxes were accrued or collected prior to such date but not required to be remitted until on or after such date; and

- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured creditors and which are attributable to or in respect of the carrying on of the Business by the Applicant.

11. **THIS COURT ORDERS** that, except as specifically permitted herein, the Applicant is hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicant to any of its creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of the Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business or pursuant to this Order, or any other Order of this Court.

RESTRUCTURING

12. **THIS COURT ORDERS** that the Applicant shall, subject to such requirements as are imposed by the CCAA, have the right to:

- (a) permanently or temporarily cease, downsize or shut down any of its business or operations, and to dispose of redundant or non-material assets not exceeding \$100,000 in any one transaction or \$250,000 in the aggregate;
- (b) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate; and
- (c) pursue all avenues of refinancing or restructuring of the Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing,

all of the foregoing to permit the Applicant to proceed with an orderly restructuring of the Business.

NO PROCEEDINGS AGAINST THE APPLICANT OR THE PROPERTY

13. **THIS COURT ORDERS** that until and including April [●] 2023, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the Applicant or the Monitor, or affecting the Business or the Property, except with the written consent of the Applicant and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicant or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

14. **THIS COURT ORDERS** that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of the Applicant or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicant and the Monitor, or leave of this Court, provided that nothing in this Order shall: (i) empower the Applicant to carry on any business which the Applicant is not lawfully entitled to carry on; (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the CCAA; (iii) prevent the filing of any registration to preserve or perfect a security interest; or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

15. **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicant (in each case whether written or oral), except with the written consent of the Applicant and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

16. **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Applicant or statutory or regulatory mandates for the supply of goods and/or

services, including without limitation all computer software, communication and other data services, centralized banking services, payroll and benefits services, insurance, transportation services, utility or other services to the Business or the Applicant, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicant, and that the Applicant shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Applicant in accordance with normal payment practices of the Applicant or such other practices as may be agreed upon by the supplier or service provider and each of the Applicant and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

17. **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of leased or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or re-advance any monies or otherwise extend any credit to the Applicant. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

18. **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicant with respect to any claim against the directors or officers that arose before or arises after the date the Proposal Proceedings commenced and that relates to any obligation of the Applicant whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicant.

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

19. **THIS COURT ORDERS** that the Applicant shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicant after the commencement of the within proceedings, except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

20. **THIS COURT ORDERS** that the directors and officers of the Applicant shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**") on the Property, which charge shall not exceed an aggregate amount of \$300,000, as security for the indemnity provided in paragraph 19 of this Order. The Directors' Charge shall have the priority set out in paragraphs 35 and 37 herein.

21. **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicant's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph 19 of this Order.

APPOINTMENT OF MONITOR

22. **THIS COURT ORDERS** that KSV is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicant with the powers and obligations set out in the CCAA or set forth herein and that the Applicant and its shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicant pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

23. **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Applicant's receipts and disbursements;
- (b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;
- (c) advise the Applicant in its preparation of the its cash flow statements;
- (d) advise the Applicant in its development of the Plan and any amendments to the Plan;
- (e) assist the Applicant, to the extent required by the Applicant, with the holding and administering of creditors' or shareholders' meetings for voting on the Plan;
- (f) have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicant to the extent that is necessary to adequately assess the Applicant's business and financial affairs or to perform its duties arising under this Order;
- (g) be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and
- (h) perform such other duties as are required by this Order or by this Court from time to time.

24. **THIS COURT ORDERS** that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

25. **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

26. **THIS COURT ORDERS** that the Monitor shall provide any creditor of the Applicant with information provided by the Applicant in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicant is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicant may agree.

27. **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

28. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the Applicant shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges and whether incurred prior to, on or after the date hereof, by the Applicant as part of

the costs of these proceedings. The Applicant is hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicant in accordance with the payment terms agreed to with such professionals.

29. **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

30. **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the Applicant shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of \$300,000.00, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings and the Proposal Proceedings. The Administration Charge shall have the priority set out in paragraphs 35 and 37 hereof.

DISCHARGE OF KSV AS PROPOSAL TRUSTEE AND APPROVAL OF REPORT

31. **THIS COURT ORDERS** that the Proposal Trustee shall be discharged as proposal trustee of Magna, provided however that KSV shall continue to have the benefit of all protections and stays of proceedings in favour of KSV, in its capacity as proposal trustee of Magna.

32. **THIS COURT ORDERS AND DECLARES** that KSV is hereby released and discharged from any and all liability that KSV now has or may hereafter have by reason of, or in any way arising out of, the acts or omissions of KSV while acting in its capacity as Proposal Trustee for Magna. Without limiting the generality of the foregoing, KSV is hereby forever released and discharged from any and all liability relating to matters that were raised, or which could have been raised, in the Proposal Proceedings for Magna.

33. **THIS COURT ORDERS** that the Report and the activities of KSV, as described in the Report, be and are hereby approved; provided, however that only KSV, in its personal capacity and only with respect to its own personal liability, shall be entitled to rely upon or utilize in any way such approval.

34. **THIS COURT ORDERS** that the fees and disbursements of the Proposal Trustee and its counsel, as set out in the Report, be and are hereby approved.

VALIDITY AND PRIORITY OF THE CHARGES CREATED BY THIS ORDER

35. **THIS COURT ORDERS** that the priorities of the Administration Charge and the Directors' Charge (collectively, the "**Charges**"), shall be as follows:

First – Administration Charge up to the maximum amount of \$300,000.00; and

Second – Directors' Charge up to the maximum amount of \$300,000.00.

36. **THIS COURT ORDERS** that the filing, registration or perfection of the Charges shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

37. **THIS COURT ORDERS** that each of the Charges shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person.

38. **THIS COURT ORDERS** that, except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicant shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the Charges, unless the Applicant also obtain the prior written consent of the Monitor and the beneficiaries of the applicable Charges (collectively, the "**Chargees**"), or further Order of this Court.

39. **THIS COURT ORDERS** that the Charges shall not be rendered invalid or unenforceable and the rights and remedies of the Chargees shall not otherwise be limited or impaired in any way by: (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any

negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds the Applicant, and notwithstanding any provision to the contrary in any Agreement:

- (a) the creation of the Charges shall not create or be deemed to constitute a breach by the Applicant of any Agreement to which the Applicant is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the creation of the Charges; and
- (c) the payments made by the Applicant pursuant to this Order and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

SECURITIES MATTERS

40. **THIS COURT ORDERS** that the decision by Magna to incur no further expenses in relation to any filings, disclosures, core or non-core documents, restatements, amendments to existing filings, press releases or any other actions (collectively, the "**Securities Filings**") that may be required by any federal, provincial or other law respecting securities or capital markets in Canada or the United States, or by the rules and regulations of a stock exchange, including without limitation, the *Securities Act* (Ontario) and comparable statutes enacted by other provinces of Canada, the *Securities Act of 1933* (United States) and the *Securities Exchange Act of 1934* (United States) and comparable statutes enacted by individual states of the United States, the TSXV Exchange Corporate Finance Manual and other rules, regulations and policies of the TSX Venture Exchange, the NEX Board or OTC Pink (collectively, the "**Securities Provisions**"), is hereby authorized, provided that nothing in this paragraph shall prohibit any securities regulator or stock exchange from taking any action or exercising any discretion that it may have of a nature described in section 11.1(2) of the CCAA as a consequence of Magna failing to make any Securities Filings required by the Securities Provisions.

41. **THIS COURT ORDERS** that none of the directors, officers, employees and other representatives of the Applicant, the Monitor and its directors, officers, employees and representatives, shall have any personal liability for any failure by Magna to make any Securities Filings required by the Securities Provisions.

42. **THIS COURT ORDERS** that Magna be and is hereby relieved of any obligation to call and hold an annual meeting of its shareholders until further Order of this Court.

SERVICE AND NOTICE

43. **THIS COURT ORDERS** that the Monitor's obligations under Section 23(1)(a) of the CCAA and the regulations made thereunder are hereby dispensed with.

44. **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/Toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05, this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that the Case Website established in connection with the Proposal Proceedings and referenced at the URL which follows shall constitute the Case Website for these CCAA proceedings in accordance with the Protocol: <https://www.ksvadvisory.com/experience/case/magnagold> (the "**Website**").

45. **THIS COURT ORDERS** that the Monitor shall create, maintain and update as necessary a list of all Persons appearing in person or by counsel in these CCAA proceedings (the "**Service List**"). The Monitor shall post the Service List, as may be updated from time to time, on the Website, provided that the Monitor shall have no liability in respect of the accuracy of, or the timeliness or making any changes to, the Service List.

46. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Applicant and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile or other electronic transmission to the Applicant's creditors or other interested parties at their respective addresses as last shown on the records of the Applicant and that any such service or distribution shall be deemed to be received: (a) if sent by courier, on the next business day following the date of forwarding thereof; (b) if delivered by personal delivery or facsimile or other electronic transmission, on the day so delivered; and (c) if sent by ordinary mail, on the third business day after mailing.

47. **THIS COURT ORDERS** that the Applicant and the Monitor and their counsel are at liberty to serve or distribute this Order, any other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Applicant's creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or judicial obligation, and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS).

GENERAL

48. **THIS COURT ORDERS** that the Applicant or the Monitor may from time to time apply to this Court to amend, vary or supplement this Order, or for advice and directions concerning the discharge of their respective powers and duties under this Order or the interpretation or application of this Order.

49. **THIS COURT ORDERS** that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicant, the Business or the Property.

50. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States, Mexico or any other foreign jurisdiction, to give effect to this Order and to assist the Applicant, the Monitor and

their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicant and the Monitor and their respective agents in carrying out the terms of this Order.

51. **THIS COURT ORDERS** that each of the Applicant and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

52. **THIS COURT ORDERS** that any interested party (including the Applicant and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to any other Person(s) likely to be affected by the order sought or upon such other notice, if any, as this Court may order, provided, however, that the Chargees shall be entitled to rely on this Order as issued and entered and on the Charges with respect to any fees and disbursements incurred until the date this Order may be amended, varied or stayed.

53. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. (Toronto time) on the date of this Order.

54. **THIS COURT ORDERS** that this Order is effective from today's date and is enforceable without the need for entry and filing.

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF MAGNA GOLD CORP.**

Court File No.: _____

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

Proceedings commenced in Toronto

INITIAL ORDER

BENNETT JONES LLP

One First Canadian Place
Suite 3400, P.O. Box 130
Toronto, Ontario
M5X 1A4

Sean Zweig (LSO# 57307I)

Aiden Nelms (LSO# 74170S)

Tel: 416-777-6254

Fax: 416-863-1716

Lawyers for the Applicant

**T
A
B

5**

Court File No. —: _____

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

THE HONOURABLE)	WEEKDAY <u>MONDAY</u> , THE #
JUSTICE-)	DAY OF MONTH, 20YR <u>27th</u>
)	
<u>JUSTICE MCEWEN</u>)	<u>DAY OF MARCH, 2023</u>
)	

IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED

AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
~~[APPLICANT'S NAME]~~ (the "MAGNA GOLD CORP.

Applicant")

INITIAL ORDER

THIS APPLICATION, made by Magna Gold Corp. ("Magna" or the "Applicant;") for an initial order pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "CCAA"), was heard this day ~~at 330 University Avenue, Toronto, Ontario~~ via video conference.

ON READING the affidavit of ~~[NAME]~~ Leslie Kapusiany sworn ~~[DATE]~~ March 20, 2023 and the ~~E~~ xhibits thereto (the "Kapusiany Affidavit"), the First Report of the Proposal Trustee and the Pre-Filing Report of KSV Restructuring Inc. ("KSV") in its capacity as the proposed Monitor of the Applicant (the "Report"), filed, and the appendices thereto, and the consent of KSV to act as the monitor of the Applicant (in such capacity, the "Monitor"), and on being advised that ~~the~~ there are no secured creditors who are likely to be affected by the charges created herein ~~were given notice~~, and on hearing the submissions of counsel for ~~[NAMES]~~ the Applicant and the Monitor, no one else appearing ~~for~~ [NAME][†] although duly served as appears from the affidavit of service of ~~[NAME]~~ Aiden Nelms

[†] ~~Include names of secured creditors or other persons who must be served before certain relief in this model Order may be granted. See, for example, CCAA Sections 11.2(1), 11.3(1), 11.4(1), 11.51(1), 11.52(1), 32(1), 32(3), 33(2)~~

sworn ~~[DATE] and on reading the consent of [MONITOR'S NAME] to act as the Monitor~~ March 20, 2023;

SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of Application ~~and~~ the Application Record and the Report is hereby abridged, to the extent necessary, and validated² so that this Application is properly returnable today and hereby dispenses with further service thereof.

APPLICATION

CONTINUANCE UNDER THE CCAA

2. THIS COURT ORDERS AND DECLARES that the Applicant is a company to which the CCAA applies.

3. THIS COURT ORDERS AND DECLARES that the proposal proceedings (the "Proposal Proceedings") of Magna bearing Estate/Court File No.: 31-2917856 commenced under Part III of the *Bankruptcy and Insolvency Act*, R.S.C. 1985 c. B-3, as amended (the "BIA"), are hereby taken up and continued under the CCAA and that, as of the date hereof, the provisions of Part III of the BIA shall have no further application to Magna, save that any and all steps, agreements and procedures validly taken, done or entered into by Magna during the Proposal Proceedings shall remain valid and binding, notwithstanding the commencement of the CCAA proceedings.

may be granted. See, for example, CCAA Sections 11.2(1), 11.3(1), 11.4(1), 11.51(1), 11.52(1), 32(1), 32(3), 33(2) and 36(2).

² ~~If service is effected in a manner other than as authorized by the Ontario Rules of Civil Procedure, an order validating irregular service is required pursuant to Rule 16.08 of the Rules of Civil Procedure and may be granted in appropriate circumstances.~~

4. **THIS COURT ORDERS that, for clarity, Magna shall not be deemed to have made an assignment based on its failure to file a proposal with the official receiver notwithstanding s. 50.4(8) of the BIA.**

PLAN OF ARRANGEMENT

5. ~~3.~~ **THIS COURT ORDERS** that the Applicant shall have the authority to file and may, subject to further order of this Court, file with this Court a plan of compromise or arrangement (hereinafter referred to as the "**Plan**").

POSSESSION OF PROPERTY AND OPERATIONS

6. ~~4.~~ **THIS COURT ORDERS** that the Applicant shall remain in possession and control of its current and future assets, undertakings and properties of every nature and kind whatsoever, and wherever situate including all proceeds thereof (the "**Property**"). Subject to further Order of this Court, the Applicant shall continue to carry on business in a manner consistent with the preservation of its business (the "**Business**") and Property. The Applicant is authorized and empowered to continue to retain and employ the employees, consultants, agents, experts, accountants, counsel and such other persons (collectively, "**Assistants**") currently retained or employed by it, with liberty to retain such further Assistants as it deems reasonably necessary or desirable in the ordinary course of business or for the carrying out of the terms of this Order.

7. ~~5.~~ **THIS COURT ORDERS** that the Applicant shall be entitled to continue to utilize ~~the central~~ lits existing cash management system³ currently in place as described in the Kapusianyuk Affidavit ~~of [NAME] sworn [DATE]~~ or replace it with another substantially similar ~~central~~ cash management system (the "**Cash Management System**") and that any present or future bank providing the Cash Management System shall not be under any obligation whatsoever to inquire into the propriety, validity or legality of any transfer, payment, collection or other action taken under the Cash Management System, or as to the use or application by the

³ ~~This provision should only be utilized where necessary, in view of the fact that central cash management systems often operate in a manner that consolidates the cash of applicant companies. Specific attention should be paid to cross border and inter company transfers of cash.~~

Applicant of funds transferred, paid, collected or otherwise dealt with in the Cash Management System, shall be entitled to provide the Cash Management System without any liability in respect thereof to any Person (as hereinafter defined) other than the Applicant, pursuant to the terms of the documentation applicable to the Cash Management System, and shall be, in its capacity as provider of the Cash Management System, an unaffected creditor under the Plan with regard to any claims or expenses it may suffer or incur in connection with the provision of the Cash Management System.†

8. ~~6.~~ **THIS COURT ORDERS** that the Applicant shall be entitled but not required to pay the following expenses and satisfy the following obligations, whether incurred prior to or after this Order:

- (a) all outstanding and future wages, salaries, commissions, compensation, employee and benefits, pension ~~benefits~~ contributions, vacation pay and expenses (including, without limitation, payroll and benefits processing and servicing expenses) payable on or after the date of this Order, in each case incurred in the ordinary course of business and consistent with existing compensation policies and arrangements; and
- (b) the fees and disbursements of any Assistants retained or employed by the Applicant in respect of these proceedings, at their standard rates and charges.

9. ~~7.~~ **THIS COURT ORDERS** that, except as otherwise provided to the contrary herein, the Applicant shall be entitled but not required to pay all reasonable expenses incurred by the Applicant in carrying on the Business in the ordinary course after this Order, and in carrying out the provisions of this Order and any other Order of this Court, which expenses shall include, without limitation:

- (a) all expenses and capital expenditures reasonably necessary for the preservation of the Property or the Business including, without limitation, payments on account of insurance (including directors and officers insurance), maintenance and security services; ~~and~~

- (b) payment for goods or services actually supplied to the Applicant following the date of this Order; and
- (c) any payment referred to in paragraphs 9(a) or 9(b) of this Order that: (i) was incurred during the Proposal Proceedings or that pertains to such a period; or (ii) pertains to the period prior to the commencement of the Proposal Proceedings if, in the opinion of the Applicant and with the consent of the Monitor, the supplier of the applicable good or service is critical to the Business and the ongoing operations of the Applicant.

10. ~~8.~~ **THIS COURT ORDERS** that the Applicant shall remit, in accordance with legal requirements, or pay:

- (a) any statutory deemed trust amounts in favour of the Crown in right of Canada or of any Province thereof or any other taxation authority which are required to be deducted from employees' wages, including, without limitation, amounts in respect of (i) employment insurance, (ii) Canada Pension Plan, and (iii) ~~Quebec Pension Plan, and (iv)~~ income taxes;
- (b) all goods and services or other applicable sales taxes (collectively, "Sales Taxes") required to be remitted by the Applicant in connection with the sale of goods and services by the Applicant, but only where such Sales Taxes are accrued or collected after the date ~~of this Order~~ that the Proposal Proceedings commenced, or where such Sales Taxes were accrued or collected prior to ~~the~~ such date ~~of this Order~~ but not required to be remitted until on or after ~~the~~ such date ~~of this Order~~; and
- (c) any amount payable to the Crown in right of Canada or of any Province thereof or any political subdivision thereof or any other taxation authority in respect of municipal realty, municipal business or other taxes, assessments or levies of any nature or kind which are entitled at law to be paid in priority to claims of secured

creditors and which are attributable to or in respect of the carrying on of the Business by the Applicant.

~~9. — THIS COURT ORDERS that until a real property lease is disclaimed **[or resiliated]**⁴ in accordance with the CCAA, the Applicant shall pay all amounts constituting rent or payable as rent under real property leases (including, for greater certainty, common area maintenance charges, utilities and realty taxes and any other amounts payable to the landlord under the lease) or as otherwise may be negotiated between the Applicant and the landlord from time to time ("Rent"), for the period commencing from and including the date of this Order, twice monthly in equal payments on the first and fifteenth day of each month, in advance (but not in arrears). On the date of the first of such payments, any Rent relating to the period commencing from and including the date of this Order shall also be paid.~~

11. ~~10.~~ **THIS COURT ORDERS** that, except as specifically permitted herein, the Applicant is hereby directed, until further Order of this Court: (a) to make no payments of principal, interest thereon or otherwise on account of amounts owing by the Applicant to any of its creditors as of this date; (b) to grant no security interests, trust, liens, charges or encumbrances upon or in respect of any of ~~its~~the Property; and (c) to not grant credit or incur liabilities except in the ordinary course of the Business or pursuant to this Order, or any other Order of this Court.

RESTRUCTURING

12. ~~11.~~ **THIS COURT ORDERS** that the Applicant shall, subject to such requirements as are imposed by the CCAA ~~and such covenants as may be contained in the Definitive Documents (as hereinafter defined)~~, have the right to:

⁴~~The term "resiliate" should remain if there are leased premises in the Province of Quebec, but can otherwise be removed.~~

- (a) permanently or temporarily cease, downsize or shut down any of its business or operations, and to dispose of redundant or non-material assets not exceeding \$•100,000 in any one transaction or \$•250,000 in the aggregate⁵;
- (b) terminate the employment of such of its employees or temporarily lay off such of its employees as it deems appropriate; and
- (c) pursue all avenues of refinancing or restructuring of ~~its~~the Business or Property, in whole or part, subject to prior approval of this Court being obtained before any material refinancing,

all of the foregoing to permit the Applicant to proceed with an orderly restructuring of the Business ~~(the "Restructuring")~~.

~~12. — THIS COURT ORDERS that the Applicant shall provide each of the relevant landlords with notice of the Applicant's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Applicant's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Applicant, or by further Order of this Court upon application by the Applicant on at least two (2) days notice to such landlord and any such secured creditors. If the Applicant disclaims [or resiliates] the lease governing such leased premises in accordance with Section 32 of the CCAA, it shall not be required to pay Rent under such lease pending resolution of any such dispute (other than Rent payable for the notice period provided for in Section 32(5) of the CCAA), and the disclaimer [or resiliation] of the lease shall be without prejudice to the Applicant's claim to the fixtures in dispute.~~

⁵ Section 36 of the amended CCAA does not seem to contemplate a pre-approved power to sell (see subsection 36(3)) and moreover requires notice (subsection 36(2)) and evidence (subsection 36(7)) that may not have occurred or be available at the initial CCAA hearing.

~~13. THIS COURT ORDERS that if a notice of disclaimer [or resiliation] is delivered pursuant to Section 32 of the CCAA, then (a) during the notice period prior to the effective time of the disclaimer [or resiliation], the landlord may show the affected leased premises to prospective tenants during normal business hours, on giving the Applicant and the Monitor 24 hours' prior written notice, and (b) at the effective time of the disclaimer [or resiliation], the relevant landlord shall be entitled to take possession of any such leased premises without waiver of or prejudice to any claims or rights such landlord may have against the Applicant in respect of such lease or leased premises, provided that nothing herein shall relieve such landlord of its obligation to mitigate any damages claimed in connection therewith.~~

NO PROCEEDINGS AGAINST THE APPLICANT OR THE PROPERTY

~~13.~~ **14.** ~~THIS COURT ORDERS~~ that until and including ~~[DATE — MAX. 30 DAYS]~~ April 14, 2023, or such later date as this Court may order (the "**Stay Period**"), no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**") shall be commenced or continued against or in respect of the Applicant or the Monitor, or affecting the Business or the Property, except with the written consent of the Applicant and the Monitor, or with leave of this Court, and any and all Proceedings currently under way against or in respect of the Applicant or affecting the Business or the Property are hereby stayed and suspended pending further Order of this Court.

NO EXERCISE OF RIGHTS OR REMEDIES

~~14.~~ **15.** ~~THIS COURT ORDERS~~ that during the Stay Period, all rights and remedies of any individual, firm, corporation, governmental body or agency, or any other entities (all of the foregoing, collectively being "**Persons**" and each being a "**Person**") against or in respect of the Applicant or the Monitor, or affecting the Business or the Property, are hereby stayed and suspended except with the written consent of the Applicant and the Monitor, or leave of this Court, provided that nothing in this Order shall: (i) empower the Applicant to carry on any business which the Applicant is not lawfully entitled to carry on; (ii) affect such investigations, actions, suits or proceedings by a regulatory body as are permitted by Section 11.1 of the

CCAA; (iii) prevent the filing of any registration to preserve or perfect a security interest; or (iv) prevent the registration of a claim for lien.

NO INTERFERENCE WITH RIGHTS

15. ~~16.~~ **THIS COURT ORDERS** that during the Stay Period, no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Applicant (in each case whether written or oral), except with the written consent of the Applicant and the Monitor, or leave of this Court.

CONTINUATION OF SERVICES

16. ~~17.~~ **THIS COURT ORDERS** that during the Stay Period, all Persons having oral or written agreements with the Applicant or statutory or regulatory mandates for the supply of goods and/or services, including without limitation all computer software, communication and other data services, centralized banking services, payroll and benefits services, insurance, transportation services, utility or other services to the Business or the Applicant, are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Applicant, and that the Applicant shall be entitled to the continued use of its current premises, telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Applicant in accordance with normal payment practices of the Applicant or such other practices as may be agreed upon by the supplier or service provider and each of the Applicant and the Monitor, or as may be ordered by this Court.

NON-DEROGATION OF RIGHTS

17. ~~18.~~ **THIS COURT ORDERS** that, notwithstanding anything else in this Order, no Person shall be prohibited from requiring immediate payment for goods, services, use of leased d or licensed property or other valuable consideration provided on or after the date of this Order, nor shall any Person be under any obligation on or after the date of this Order to advance or

re-advance any monies or otherwise extend any credit to the Applicant. Nothing in this Order shall derogate from the rights conferred and obligations imposed by the CCAA.⁶

PROCEEDINGS AGAINST DIRECTORS AND OFFICERS

18. ~~19.~~ **THIS COURT ORDERS** that during the Stay Period, and except as permitted by subsection 11.03(2) of the CCAA, no Proceeding may be commenced or continued against any of the former, current or future directors or officers of the Applicant with respect to any claim against the directors or officers that arose before or arises after the date ~~hereof~~ the Proposal Proceedings commenced and that relates to any obligations of the Applicant whereby the directors or officers are alleged under any law to be liable in their capacity as directors or officers for the payment or performance of such obligations, until a compromise or arrangement in respect of the Applicant, ~~if one is filed, is sanctioned by this Court or is refused by the creditors of the Applicant or this Court.~~

DIRECTORS' AND OFFICERS' INDEMNIFICATION AND CHARGE

19. ~~20.~~ **THIS COURT ORDERS** that the Applicant shall indemnify its directors and officers against obligations and liabilities that they may incur as directors or officers of the Applicant after the commencement of the within proceedings,⁷ except to the extent that, with respect to any officer or director, the obligation or liability was incurred as a result of the director's or officer's gross negligence or wilful misconduct.

⁶ ~~This non-derogation provision has acquired more significance due to the recent amendments to the CCAA, since a number of actions or steps cannot be stayed, or the stay is subject to certain limits and restrictions. See, for example, CCAA Sections 11.01, 11.04, 11.06, 11.07, 11.08, 11.1(2) and 11.5(1).~~

⁷ ~~The broad indemnity language from Section 11.51 of the CCAA has been imported into this paragraph. The granting of the indemnity (whether or not secured by a Directors' Charge), and the scope of the indemnity, are discretionary matters that should be addressed with the Court.~~

20. ~~21.~~ **THIS COURT ORDERS** that the directors and officers of the Applicant shall be entitled to the benefit of and are hereby granted a charge (the "**Directors' Charge**")⁸ on the Property, which charge shall not exceed an aggregate amount of \$~~●~~300,000, as security for the indemnity provided in paragraph ~~{20}~~19 of this Order. The Directors' Charge shall have the priority set out in paragraphs ~~{38}~~35 and ~~{40}~~37 herein.

21. ~~22.~~ **THIS COURT ORDERS** that, notwithstanding any language in any applicable insurance policy to the contrary, (a) no insurer shall be entitled to be subrogated to or claim the benefit of the Directors' Charge, and (b) the Applicant's directors and officers shall only be entitled to the benefit of the Directors' Charge to the extent that they do not have coverage under any directors' and officers' insurance policy, or to the extent that such coverage is insufficient to pay amounts indemnified in accordance with paragraph ~~{20}~~19 of this Order.

APPOINTMENT OF MONITOR

22. ~~23.~~ **THIS COURT ORDERS** that ~~{MONITOR'S NAME}~~KSV is hereby appointed pursuant to the CCAA as the Monitor, an officer of this Court, to monitor the business and financial affairs of the Applicant with the powers and obligations set out in the CCAA or set forth herein and that the Applicant and its shareholders, officers, directors, and Assistants shall advise the Monitor of all material steps taken by the Applicant pursuant to this Order, and shall co-operate fully with the Monitor in the exercise of its powers and discharge of its obligations and provide the Monitor with the assistance that is necessary to enable the Monitor to adequately carry out the Monitor's functions.

23. ~~24.~~ **THIS COURT ORDERS** that the Monitor, in addition to its prescribed rights and obligations under the CCAA, is hereby directed and empowered to:

- (a) monitor the Applicant's receipts and disbursements;

⁸~~Section 11.51(3) provides that the Court may not make this security/charging order if in the Court's opinion the Applicant could obtain adequate indemnification insurance for the director or officer at a reasonable cost.~~

(b) report to this Court at such times and intervals as the Monitor may deem appropriate with respect to matters relating to the Property, the Business, and such other matters as may be relevant to the proceedings herein;

~~(c) assist the Applicant, to the extent required by the Applicant, in its dissemination, to the DIP Lender and its counsel on a [TIME INTERVAL] basis of financial and other information as agreed to between the Applicant and the DIP Lender which may be used in these proceedings including reporting on a basis to be agreed with the DIP Lender;~~

(c) ~~(d)~~ advise the Applicant in its preparation of the Applicant's sits cash flow statements ~~and reporting required by the DIP Lender, which information shall be reviewed with the Monitor and delivered to the DIP Lender and its counsel on a periodic basis, but not less than [TIME INTERVAL], or as otherwise agreed to by the DIP Lender;~~

(d) ~~(e)~~ advise the Applicant in its development of the Plan and any amendments to the Plan;

(e) ~~(f)~~ assist the Applicant, to the extent required by the Applicant, with the holding and administering of creditors² or shareholders² meetings for voting on the Plan;

(f) ~~(g)~~ have full and complete access to the Property, including the premises, books, records, data, including data in electronic form, and other financial documents of the Applicant; to the extent that is necessary to adequately assess the Applicant's business and financial affairs or to perform its duties arising under this Order;

(g) ~~(h)~~ be at liberty to engage independent legal counsel or such other persons as the Monitor deems necessary or advisable respecting the exercise of its powers and performance of its obligations under this Order; and

(h) ~~(i)~~ perform such other duties as are required by this Order or by this Court from time to time.

24. ~~25.~~ **THIS COURT ORDERS** that the Monitor shall not take possession of the Property and shall take no part whatsoever in the management or supervision of the management of the Business and shall not, by fulfilling its obligations hereunder, be deemed to have taken or maintained possession or control of the Business or Property, or any part thereof.

25. ~~26.~~ **THIS COURT ORDERS** that nothing herein contained shall require the Monitor to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act, the Ontario Environmental Protection Act, the Ontario Water Resources Act, or the Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Monitor from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Monitor shall not, as a result of this Order or anything done in pursuance of the Monitor's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession.

26. ~~27.~~ **THIS COURT ORDERS** that ~~that~~ the Monitor shall provide any creditor of the Applicant ~~and the DIP Lender~~ with information provided by the Applicant in response to reasonable requests for information made in writing by such creditor addressed to the Monitor. The Monitor shall not have any responsibility or liability with respect to the information disseminated by it pursuant to this paragraph. In the case of information that the Monitor has been advised by the Applicant is confidential, the Monitor shall not provide such information to creditors unless otherwise directed by this Court or on such terms as the Monitor and the Applicant may agree.

27. ~~28.~~ **THIS COURT ORDERS** that, in addition to the rights and protections afforded the Monitor under the CCAA or as an officer of this Court, the Monitor shall incur no liability or obligation as a result of its appointment or the carrying out of the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part. Nothing in this Order shall derogate from the protections afforded the Monitor by the CCAA or any applicable legislation.

28. ~~29.~~ **THIS COURT ORDERS** that the Monitor, counsel to the Monitor and counsel to the Applicant shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges and whether incurred prior to, on or after the date hereof, by the Applicant as part of the costs of these proceedings. The Applicant is hereby authorized and directed to pay the accounts of the Monitor, counsel for the Monitor and counsel for the Applicant ~~on a [TIME INTERVAL] basis and, in addition,~~ in accordance with the ~~Applicant is hereby authorized to pay to the Monitor, counsel to the Monitor, and counsel to the Applicant, retainers in the amount[s] of \$●-, respectively,] to be held by them as security for payment of their respective fees and disbursements outstanding from time to time~~ payment terms agreed to with such professionals.

29. ~~30.~~ **THIS COURT ORDERS** that the Monitor and its legal counsel shall pass their accounts from time to time, and for this purpose the accounts of the Monitor and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

30. ~~31.~~ **THIS COURT ORDERS** that the Monitor, counsel to the Monitor, ~~if any,~~ and counsel to the Applicant's ~~counsel~~ shall be entitled to the benefit of and are hereby granted a charge (the "**Administration Charge**") on the Property, which charge shall not exceed an aggregate amount of \$●300,000.00, as security for their professional fees and disbursements incurred at the standard rates and charges of the Monitor and such counsel, both before and after the making of this Order in respect of these proceedings and the Proposal Proceedings. The Administration Charge shall have the priority set out in paragraphs ~~38~~35 and ~~40~~37 hereof.

DIP FINANCING

~~32. — THIS COURT ORDERS that the Applicant is hereby authorized and empowered to obtain and borrow under a credit facility from [DIP LENDER'S NAME] (the "DIP Lender") in order to finance the Applicant's working capital requirements and other general corporate purposes and capital expenditures, provided that borrowings under such credit facility shall not exceed \$● unless permitted by further Order of this Court.~~

~~33. — THIS COURT ORDERS THAT such credit facility shall be on the terms and subject to the conditions set forth in the commitment letter between the Applicant and the DIP Lender dated as of [DATE] (the "Commitment Letter"), filed.~~

~~34. — THIS COURT ORDERS that the Applicant is hereby authorized and empowered to execute and deliver such credit agreements, mortgages, charges, hypothecs and security documents, guarantees and other definitive documents (collectively, the "Definitive Documents"), as are contemplated by the Commitment Letter or as may be reasonably required by the DIP Lender pursuant to the terms thereof, and the Applicant is hereby authorized and directed to pay and perform all of its indebtedness, interest, fees, liabilities and obligations to the DIP Lender under and pursuant to the Commitment Letter and the Definitive Documents as and when the same become due and are to be performed, notwithstanding any other provision of this Order.~~

~~35. — THIS COURT ORDERS that the DIP Lender shall be entitled to the benefit of and is hereby granted a charge (the "DIP Lender's Charge") on the Property, which DIP Lender's Charge shall not secure an obligation that exists before this Order is made. The DIP Lender's Charge shall have the priority set out in paragraphs [38] and [40] hereof.~~

~~36. —~~

DISCHARGE OF KSV AS PROPOSAL TRUSTEE AND APPROVAL OF REPORT

31. THIS COURT ORDERS that the Proposal Trustee shall be discharged as proposal trustee of Magna, provided however that KSV shall continue to have the benefit of all

protections and stays of proceedings in favour of KSV, in its capacity as proposal trustee of Magna.

32. THIS COURT ORDERS AND DECLARES that KSV is hereby released and discharged from any and all liability that KSV now has or may hereafter have by reason of, or in any way arising out of, the acts or omissions of KSV while acting in its capacity as Proposal Trustee for Magna. Without limiting the generality of the foregoing, KSV is hereby forever released and discharged from any and all liability relating to matters that were raised, or which could have been raised, in the Proposal Proceedings for Magna.

33. THIS COURT ORDERS that the Report and the activities of KSV, as described in the Report, be and are hereby approved; provided, however that only KSV, in its personal capacity and only with respect to its own personal liability, shall be entitled to rely upon or utilize in any way such approval.

34. THIS COURT ORDERS that,~~notwithstanding any other provision of this Order:~~

- ~~(a) — the DIP Lender may take such steps from time to time as it may deem necessary or appropriate to file, register, record or perfect the DIP Lender's Charge or any of the Definitive Documents;~~
- ~~(b) — upon the occurrence of an event of default under the Definitive Documents or the DIP Lender's Charge, the DIP Lender, upon ●-days notice to the Applicant and the Monitor, may exercise any and all of its rights and remedies against the Applicant or the Property under or pursuant to the Commitment Letter, Definitive Documents and the DIP Lender's Charge, including without limitation, to cease making advances to the Applicant and set off and/or consolidate any amounts owing by the DIP Lender to the Applicant against the obligations of the Applicant to the DIP Lender under the Commitment Letter, the Definitive Documents or the DIP Lender's Charge, to make demand, accelerate payment and give other notices, or to apply to this Court for the appointment of a receiver, receiver and manager or interim receiver, or for a~~

~~bankruptcy order against the Applicant and for the appointment of a trustee in
bankruptcy of the Applicant; and~~

~~(e) — the foregoing rights and remedies of the DIP Lender shall be enforceable against any
trustee in bankruptcy, interim receiver, receiver or receiver and manager of the
Applicant or the Property.~~

~~37. — THIS COURT ORDERS AND DECLARES that the DIP Lender shall be treated as
unaffected in any plan of arrangement or compromise filed by the Applicant under the CCAA, or
any proposal filed by the Applicant under the *Bankruptcy and Insolvency Act* of Canada (the
"BIA"), with respect to any advances made under the Definitive Documents. the fees and
disbursements of the Proposal Trustee and its counsel, as set out in the Report, be and are
hereby approved.~~

VALIDITY AND PRIORITY OF THE CHARGES CREATED BY THIS ORDER

35. ~~38.~~ **THIS COURT ORDERS** that the priorities of the ~~Directors' Charge, the
Administration Charge and the DIP Lender's~~ Directors' Charge, ~~as among them~~ (collectively,
the "Charges"), shall be as follows⁹:

First ~~—~~ Administration Charge (up to the maximum amount of \$~~●~~)300,000.00; and

Second ~~—DIP Lender's Charge; and~~

~~Third —~~ Directors' Charge (up to the maximum amount of \$~~●~~)300,000.00.

36. ~~39.~~ **THIS COURT ORDERS** that the filing, registration or perfection of the ~~Directors'
Charge, the Administration Charge or the DIP Lender's Charge~~ (collectively, the "Charges")

⁹The ranking of these Charges is for illustration purposes only, and is not meant to be determinative. This ranking may be subject to negotiation, and should be tailored to the circumstances of the case before the Court. Similarly, the quantum and caps applicable to the Charges should be considered in each case. Please also note that the CCAA now permits Charges in favour of critical suppliers and others, which should also be incorporated into this Order (and the rankings, above), where appropriate.

shall not be required, and that the Charges shall be valid and enforceable for all purposes, including as against any right, title or interest filed, registered, recorded or perfected subsequent to the Charges coming into existence, notwithstanding any such failure to file, register, record or perfect.

37. ~~40.~~ **THIS COURT ORDERS** that each of the ~~Directors' Charge, the Administration Charge and the DIP Lender's Charge (all as constituted and defined herein)~~ Charges shall constitute a charge on the Property and such Charges shall rank in priority to all other security interests, trusts, liens, charges and encumbrances, claims of secured creditors, statutory or otherwise (collectively, "**Encumbrances**") in favour of any Person.

38. ~~41.~~ **THIS COURT ORDERS** that, except as otherwise expressly provided for herein, or as may be approved by this Court, the Applicant shall not grant any Encumbrances over any Property that rank in priority to, or *pari passu* with, any of the ~~Directors' Charge, the Administration Charge or the DIP Lender's Charge~~ Charges, unless the Applicant also obtains the prior written consent of the Monitor, ~~the DIP Lender~~ and the beneficiaries of the ~~Directors' Charge and the Administration Charge~~ applicable Charges (collectively, the "Charges"), or further Order of this Court.

39. ~~42.~~ **THIS COURT ORDERS** that the ~~Directors' Charge, the Administration Charge, the Commitment Letter, the Definitive Documents and the DIP Lender's Charge~~Charges shall not be rendered invalid or unenforceable and the rights and remedies of the ~~chargees entitled to the benefit of the Charges (collectively, the "Chargees") and/or the DIP Lender thereunder~~ shall not otherwise be limited or impaired in any way by: (a) the pendency of these proceedings and the declarations of insolvency made herein; (b) any application(s) for bankruptcy order(s) issued pursuant to the BIA, or any bankruptcy order made pursuant to such applications; (c) the filing of any assignments for the general benefit of creditors made pursuant to the BIA; (d) the provisions of any federal or provincial statutes; or (e) any negative covenants, prohibitions or other similar provisions with respect to borrowings, incurring debt or the creation of Encumbrances, contained in any existing loan documents, lease, sublease, offer to lease or other agreement (collectively, an "**Agreement**") which binds the Applicant, and notwithstanding any provision to the contrary in any Agreement:

- (a) ~~neither~~ the creation of the Charges ~~nor the execution, delivery, perfection, registration or performance of the Commitment Letter or the Definitive Documents~~ shall not create or be deemed to constitute a breach by the Applicant of any Agreement to which ~~it~~the Applicant is a party;
- (b) none of the Chargees shall have any liability to any Person whatsoever as a result of any breach of any Agreement caused by or resulting from the ~~Applicant entering into the Commitment Letter, the~~ creation of the Charges, ~~or the execution, delivery or performance of the Definitive Documents~~; and
- (c) the payments made by the Applicant pursuant to this Order, ~~the Commitment Letter or the Definitive Documents~~, and the granting of the Charges, do not and will not constitute preferences, fraudulent conveyances, transfers at undervalue, oppressive conduct, or other challengeable or voidable transactions under any applicable law.

~~43. THIS COURT ORDERS that any Charge created by this Order over leases of real property in Canada shall only be a Charge in the Applicant's interest in such real property leases.~~

SECURITIES MATTERS

40. THIS COURT ORDERS that the decision by Magna to incur no further expenses in relation to any filings, disclosures, core or non-core documents, restatements, amendments to existing filings, press releases or any other actions (collectively, the "Securities Filings") that may be required by any federal, provincial or other law respecting securities or capital markets in Canada or the United States, or by the rules and regulations of a stock exchange, including without limitation, the Securities Act (Ontario) and comparable statutes enacted by other provinces of Canada, the Securities Act of 1933 (United States) and the Securities Exchange Act of 1934 (United States) and comparable statutes enacted by individual states of the United States, the TSXV Exchange Corporate Finance Manual and other rules, regulations and policies of the TSX Venture Exchange, the NEX Board or OTC Pink (collectively, the "Securities Provisions"), is hereby authorized, provided that nothing in this paragraph shall prohibit any securities regulator or stock exchange from taking any action or exercising any discretion that it may have of a nature described in section 11.1(2) of the CCAA as a consequence of Magna failing to make any Securities Filings required by the Securities Provisions.

41. THIS COURT ORDERS that none of the directors, officers, employees and other representatives of the Applicant, the Monitor and its directors, officers, employees and representatives, shall have any personal liability for any failure by Magna to make any Securities Filings required by the Securities Provisions.

42. THIS COURT ORDERS that Magna be and is hereby relieved of any obligation to call and hold an annual meeting of its shareholders until further Order of this Court.

SERVICE AND NOTICE

43. ~~44. THIS COURT ORDERS that the Monitor shall (i) without delay, publish in [newspapers specified by the Court] a notice containing the information prescribed under the~~

~~CCAA, (ii) within five days after the date of this Order, (A) make this Order publicly available in the manner prescribed under the CCAA, (B) send, in the prescribed manner, a notice to every known creditor who has a claim against the Applicant of more than \$1000, and (C) prepare a list showing the names and addresses of those creditors and the estimated amounts of those claims, and make it publicly available in the prescribed manner, all in accordance with~~ 's obligations under Section 23(1)(a) of the CCAA and the regulations made thereunder are hereby dispensed with.

44. ~~45.~~ **THIS COURT ORDERS** that the E-Service Protocol of the Commercial List (the "Protocol") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at ~~<http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>~~ <http://www.ontariocourts.ca/scj/practice/practice-directions/Toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05, this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that ~~the~~ Case Website ~~shall be~~ established in connection with the Proposal Proceedings and referenced at the URL which follows shall constitute the Case Website for these CCAA proceedings in accordance with the Protocol ~~with~~; <https://www.ksvadvisory.com/experience/case/magnagold> (the ~~following~~ URL ~~is~~ "Website").

45. **THIS COURT ORDERS** that the Monitor shall create, maintain and update as necessary a list of all Persons appearing in person or by counsel in these CCAA proceedings (the "Service List"). The Monitor shall post the Service List, as may be updated from time to time, on the Website, provided that the Monitor shall have no liability in respect of the accuracy of, or the timeliness or making any changes to, the Service List.

46. **THIS COURT ORDERS** that if the service or distribution of documents in accordance with the Protocol is not practicable, the Applicant and the Monitor are at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile or other electronic transmission to the Applicant's creditors or other interested parties at their respective addresses as last shown on the records of the Applicant and that any such service or distribution ~~by courier, personal delivery or facsimile transmission~~ shall be deemed to be received: (a) if sent by courier, on the next business day following the date of forwarding thereof, ~~or~~; (b) if delivered by personal delivery or facsimile transmission or other electronic transmission, on the day so delivered; and (c) if sent by ordinary mail, on the third business day after mailing.

47. THIS COURT ORDERS that the Applicant and the Monitor and their counsel are at liberty to serve or distribute this Order, any other materials and orders as may be reasonably required in these proceedings, including any notices, or other correspondence, by forwarding true copies thereof by electronic message to the Applicant's creditors or other interested parties and their advisors. For greater certainty, any such distribution or service shall be deemed to be in satisfaction of a legal or judicial obligation, and notice requirements within the meaning of clause 3(c) of the *Electronic Commerce Protection Regulations*, Reg. 81000-2-175 (SOR/DORS).

GENERAL

48. ~~47.~~ THIS COURT ORDERS that the Applicant or the Monitor may from time to time apply to this Court to amend, vary or supplement this Order, or for advice and directions ~~in~~ concerning the discharge of ~~its~~ their respective powers and duties ~~hereunder~~ under this Order or the interpretation or application of this Order.

49. ~~48.~~ THIS COURT ORDERS that nothing in this Order shall prevent the Monitor from acting as an interim receiver, a receiver, a receiver and manager, or a trustee in bankruptcy of the Applicant, the Business or the Property.

50. ~~49.~~ **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada ~~or in~~, the United States, Mexico or any other foreign jurisdiction, to give effect to this Order and to assist the Applicant, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicant and the Monitor and their respective agents in carrying out the terms of this Order.

51. ~~50.~~ **THIS COURT ORDERS** that each of the Applicant and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Monitor is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

52. ~~51.~~ **THIS COURT ORDERS** that any interested party (including the Applicant and the Monitor) may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to any other ~~party or parties~~ Person(s) likely to be affected by the order sought or upon such other notice, if any, as this Court may order, provided, however, that the Chargees shall be entitled to rely on this Order as issued and entered and on the Charges with respect to any fees and disbursements incurred until the date this Order may be amended, varied or stayed.

53. ~~52.~~ **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. ~~Eastern Standard/Daylight Time~~ (Toronto time) on the date of this Order.

54. THIS COURT ORDERS that this Order is effective from today's date and is enforceable without the need for entry and filing.



IN THE MATTER OF THE COMPANIES' CREDITORS ARRANGEMENT ACT, R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF MAGNA GOLD CORP.

Court File No.:

ONTARIO
SUPERIOR COURT OF JUSTICE
(COMMERCIAL LIST)

Proceedings commenced in Toronto

INITIAL ORDER

BENNETT JONES LLP
One First Canadian Place
Suite 3400, P.O. Box 130
Toronto, Ontario
M5X 1A4

Sean Zweig (LSO# 57307I)
Aiden Nelms (LSO# 74170S)

Tel: 416-777-6254
Fax: 416-863-1716

Lawyers for the Applicant

**T
A
B
6**

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

THE HONOURABLE) [●], THE [●]
JUSTICE [●]) DAY OF APRIL, 2023
)

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C.
1985, c. C-36, AS AMENDED**

**AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF
MAGNA GOLD CORP.**

Applicant

STAY EXTENSION ORDER

THIS APPLICATION, made by Magna Gold Corp. ("**Magna**" or the "**Applicant**") for an order pursuant to the *Companies' Creditors Arrangement Act*, R.S.C. 1985, c. C-36, as amended (the "**CCAA**"), was heard this day via video conference.

ON READING the affidavit of Leslie Kapusianykh sworn March 20, 2023 and the exhibits thereto, the First Report of the Proposal Trustee and the Pre-Filing Report of KSV Restructuring Inc. ("**KSV**") in its capacity as the proposed Monitor of the Applicant, filed, and the appendices thereto, and on hearing the submissions of counsel for the Applicant and KSV in its capacity as monitor (in such capacity, the "**Monitor**"), no one else appearing although duly served as appears from the affidavit of service of Aiden Nelms sworn March 20, 2023;

EXTENSION OF THE STAY PERIOD

1. **THIS COURT ORDERS** that the Stay Period (as defined in the Initial Order dated March 27, 2023) be and is hereby extended until and including June 2, 2023.

GENERAL

2. **THIS COURT HEREBY REQUESTS** the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada, the United States, Mexico or any other foreign jurisdiction, to give effect to this Order and to assist the Applicant, the Monitor and their respective agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Applicant and to the Monitor, as an officer of this Court, as may be necessary or desirable to give effect to this Order, to grant representative status to the Monitor in any foreign proceeding, or to assist the Applicant and the Monitor and their respective agents in carrying out the terms of this Order.

3. **THIS COURT ORDERS** that each of the Applicant and the Monitor be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order.

4. **THIS COURT ORDERS** that this Order and all of its provisions are effective as of 12:01 a.m. (Toronto time) on the date of this Order.

**IN THE MATTER OF THE *COMPANIES' CREDITORS ARRANGEMENT ACT*, R.S.C. 1985, c. C-36, AS AMENDED
AND IN THE MATTER OF A PLAN OF COMPROMISE OR ARRANGEMENT OF MAGNA GOLD CORP.**

Court File No.: _____

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

Proceedings commenced in Toronto

STAY EXTENSION ORDER

BENNETT JONES LLP

One First Canadian Place
Suite 3400, P.O. Box 130
Toronto, Ontario
M5X 1A4

Sean Zweig (LSO# 57307I)

Aiden Nelms (LSO# 74170S)

Tel: 416-777-6254

Fax: 416-863-1716

Lawyers for the Applicant

**ONTARIO
SUPERIOR COURT OF JUSTICE
(BANKRUPTCY AND INSOLVENCY)
COMMERCIAL LIST**

Proceedings Commenced at Toronto

MOTION RECORD OF MAGNA GOLD CORP.

BENNETT JONES LLP

One First Canadian Place
Suite 3400, P.O. Box 130
Toronto, Ontario
M5X 1A4

Sean Zweig (LSO# 573071)

Aiden Nelms (LSO# 74170S)

Tel: 416-777-6254

Fax: 416-863-1716

Lawyers for Magna Gold Corp.