

## OPTION AGREEMENT

This Agreement is made as of the 6<sup>TH</sup> day of July, 2018 (the “**Execution Date**”) among **OLIVUT RESOURCES LTD.**, a corporation incorporated under the laws of Ontario (“**Olivut**”) and **TALMORA DIAMOND INC.**, a corporation incorporated under the laws of Ontario (“**Talmora**”).

**WHEREAS** Talmora is the registered and/or beneficial owner of the Properties (defined below);

**AND WHEREAS** this Agreement sets forth the terms and conditions upon which Olivut will acquire the right to earn up to a fifty percent (50%) interest in the Assets (defined below), and thereafter participate with Talmora for the purpose of further exploration and other related work on the Properties (defined below) directly or indirectly through a jointly owned entity.

**NOW THEREFORE THIS AGREEMENT WITNESSES** that in consideration of the premises and the agreements hereinafter contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties agree as follows:

### ARTICLE 1 DEFINITIONS

#### 1.1 Definitions

In this Agreement:

- (a) “**Affiliate**” has the meaning given to such term in the *Business Corporations Act* (Ontario).
- (b) “**Agreement**” means this Option Agreement and all attachments hereto.
- (c) “**Assets**” means the Properties and Property Data, together with any exploration tools, supplies and equipment acquired after the Execution Date by Olivut or any Owner, if the acquisition costs of any such tools, supplies and equipment are included in Work Costs for the purposes of Section 3.2.
- (d) “**Business Day**” means any day of the year, other than a Saturday, Sunday or any day on which major banks are closed for business in Toronto, Ontario.
- (e) “**Cash Payment**” means the cash payment by Olivut to Talmora of \$200,000 within 30 days of closing of the financing as defined below under “**Financing**”.
- (f) “**Earned Interest**” has the meaning specified in Section 3.5.
- (g) “**Encumbrance**” means any mortgage, charge, pledge, hypothecation, security interest, assignment, lien (statutory or otherwise), charge, title retention agreement or arrangement, royalty, restrictive covenant or other encumbrance of any nature.
- (h) “**Excluded Lands**” means map sheets 097 B01 SE (including Prospecting Permit NP8437), 097 B08 SE (including Prospecting Permit NP8438), [REDACTED]

[REDACTED] which shall not form part of the Area of Mutual Interest as provided in Article 12.

- (i) **"Financing"** means the closing of a financing by Olivut on or about the same date as the signing of this Agreement.
- (j) **"Government Authority"** means any national, departmental, federal, provincial, state or local government or any department, agency, board, tribunal or court of, or established by, such government, which has jurisdiction over any of the Parties, the Properties, the other Assets or otherwise relating to the subject matter hereof.
- (k) **"Hazardous Substances"** means any pollutants, contaminants, dangerous goods or substances, toxic, radioactive or hazardous substances or materials, asbestos, polychlorinated biphenyls, petroleum and its derivatives and by products and other hydrocarbons and includes any substance, material, chemical or waste that is prohibited, controlled or regulated by any Government Authority pursuant to HSE Laws.
- (l) **"HSE Laws"** means any and all local, provincial, state and federal laws, principles of civil law, statutes, ordinances, regulations, rules, orders, permits, standards or requirements pertaining to or regulating pollution, protection of the environment or the health and safety of individuals or any activity related to a Hazardous Substance.
- (m) **"JV Company"** has the meaning set out in Section 5.1(3).
- (n) **"Losses"** means any and all claims, losses, demands, judgments, liabilities, expenses, damages, fines, charges and costs (including legal costs incurred on a solicitor and own client basis) and losses.
- (o) **"Mineral Interests"** means any mining exploration and/or exploitation permits, claims, prospecting permits, licences and leases or other rights to minerals, or to work upon lands for the purpose of searching for, developing or extracting minerals under any forms of mineral title recognized under the laws applicable in the Northwest Territories and Canada, whether contractual, statutory or otherwise, or any interest therein.
- (p) **"Mining Act"** means the Mining Law of the Northwest Territories, Canada.
- (q) **"Olivut Assets"** means (i) Olivut Data, (ii) any tools, supplies and equipment acquired by Olivut after the Execution Date, the costs of which are included in the Work Costs for purposes of Section 3.2, and (iii) if applicable, any New Lands pursuant to Section 12.1(1)(a).
- (r) **"Olivut Data"** means any Property Data acquired by Olivut after the Execution Date the costs of which are included in the Work Costs for purposes of Section 3.2,
- (s) **"Option"** has the meaning set out in Section 3.1.

- (t) **"Option Period"** means the period commencing on the Execution Date and ending on the termination of this Agreement.
- (u) **"Other Rights"** means any interest in real property, whether freehold, leasehold, license, right of way, easement, any other surface or other right in relation to real property, and any right, licence or permit in relation to the use or diversion of water, but excluding any Mineral Interests.
- (v) **"Owned Properties"** in respect of Talmora, means the Properties set opposite Talmora's name on Schedule "A".
- (w) **"Owner Assets"** means any Assets other than the Olivut Assets.
- (x) **"Parties"** means the parties to this Agreement and **"Party"** means any one of them;
- (y) **"Person"** means a natural Person, partnership, limited partnership, limited liability partnership, corporation, limited liability corporation, unlimited liability company, joint stock company, trust, unincorporated association, joint venture or other entity or governmental authority, and pronouns have a similarly extended meaning.
- (z) **"Properties"** means the Mineral Interests and any Other Rights described in Schedule "A", and after the date of this Agreement includes renewal of any such Mineral Interests or Other Rights and any other form of successor or substitute title therefor and **"Property"** means any one of them.
- (aa) **"Property Data"** means any maps, drill core, samples (including all diamonds), assays, geological and other technical reports, studies, designs, plans and financial or other records related to the Properties in the possession or under the control of Talmora as of the Execution Date, or thereafter acquired by or in the possession of a Party or Parties.
- (bb) **"Seahorse Royalty"** means a 1% net smelter return / 1% net sales return royalty on the terms as provided for in Schedule "C" hereto with respect to the defined area in Schedule 2 thereto..
- (cc) **"Shareholders Agreement"** means a shareholder's agreement in respect of the JV Company in the form of Schedule "D" hereto.
- (dd) **"Technical Committee"** means a committee consisting of Mal McCallum (nominee of Olivut), Ray Davies (nominee of Talmora) and Leni Keough (nominee of Olivut) with the purpose of determining and proposing exploration programs and budgets for the Properties and, if such representative is not available, the Party for whom the representative is a nominee shall appoint another representative.
- (ee) **"Transfer"** means (i) any transfer, sale, assignment, exchange, gift, donation, conveyance or other disposition of a Property or any portion thereof where possession, legal title, beneficial Ownership or the economic risk or return associated with such Property passes directly or indirectly from one Person to another Person (or to the same Person in a different legal capacity), whether or not for value,

whether or not voluntary, whether direct or indirect and however occurring, (ii) causing any Property or any portion thereof to be the subject matter of a joint venture agreement, joint development arrangement or earn-in agreement with another Person other than as provided for herein, (iii) any event, act or circumstance which causes any Affiliate of a Party that may hold a Property ceasing to be an Affiliate of such Party, or (iv) any agreement, undertaking or commitment to effect any of the foregoing.

- (ff) **“Work Cost Deadline”** has the meaning set out in Section 3.2(1)(a).
- (gg) **“Work Costs”** means all costs incurred by or on behalf of Olivut and its Affiliates in respect of the Properties, including without limitation, all costs incurred in:
- (i) conducting geophysical, geochemical, land, airborne, environmental and/or geological examinations, assessments, assays, audits and/or surveys;
  - (ii) line cutting, mapping, trenching and staking or acquiring prospecting permits;
  - (iii) performing rotary air blast, diamond, reverse circulation and other drilling;
  - (iv) construction of access roads and other facilities on or for the benefit of the Properties or any part thereof;
  - (v) transporting personnel, supplies, buildings, machinery, tools, appliances or equipment in, to or from the Properties or any part thereof;
  - (vi) paying reasonable wages and salaries customary in the industry for the particular task (including “fringe benefits”, but excluding home office costs) of personnel directly engaged in performing work on or with respect to the Properties and in supplying food, lodging and other reasonable needs for such personnel;
  - (vii) payment of assessments or contributions under applicable employment legislation relating to workers’ compensation, unemployment insurance and other applicable legislation or ordinances relating to such personnel;
  - (viii) obtaining and maintaining any insurance, in the management of and accounting for work and providing supervisory, legal, accounting, consulting and other contract or professional services or facilities relating to work performed or to be performed hereunder;
  - (ix) paying any taxes, fees, charges, payments or rentals (including payments made in lieu of assessment work) or otherwise incurred to transfer the Properties or any part thereof or interest therein pursuant to this Agreement and to keep the Properties or any part thereof in good standing,
  - (x) acquiring access and surface rights to the Properties;



- (xi) carrying out any negotiations and preparing, settling and executing any agreements or other documents relating to environmental or indigenous peoples' or local residents' claims, requirements or matters;
- (xii) carrying out any requirements or prerequisites in order to obtain and obtaining all necessary or appropriate approvals, permits, consents or permissions relating to the carrying out of work, including, without limitation, environmental permits, approvals or consents;
- (xiii) preparation of work programs and the presentation and reporting of data and other the results thereof;
- (xiv) carrying out reclamation or remediation;
- (xv) improving, protecting, or perfecting title in the Mineral Interests and other Properties or any part thereof;
- (xvi) carrying out mineral, soil, water, air or other testing;
- (xvii) payments to contractors or consultants for work done, services rendered, or materials supplied;
- (xviii) paying value added taxes, sales taxes and excise duties in connection with any amounts incurred hereunder with the exception of any such amounts which are refundable, such as Harmonized Sales Tax;
- (xix) all emergency costs and expenses necessary to preserve or protect life, limb, property or the environment in respect of the Properties or otherwise in the course of exploration or development activities on the Properties, provided that Olivut is reasonable and fiscally responsible in respect of such costs and expenses; and
- (xx) an amount in respect of general overhead and administrative expenses equal to the aggregate of five percent (5%) of all costs incurred in performing work hereunder.

For certainty, "**Work Costs**" shall include any amount paid pursuant to Section 3.6(b) as cash in lieu of Work Costs.

## 1.2 Interpretation

- (a) any reference in this Agreement to a Person includes its successors and permitted assigns;
- (b) all monetary amounts herein are expressed in Canadian Dollars;
- (c) the words "**including**", "**includes**" and "**include**" mean "**including (or includes or include) without limitation**"; and

- (d) the expressions “Article”, “Section” and other subdivision followed by a number mean and refer to the specified Article, Section or other subdivision of this Agreement.

### **1.3 Business Days**

Whenever payments are to be made, notice deemed to have been given or an action is to be taken on a day which is not a Business Day, such payment shall be made or such action shall be taken on or not later than the next succeeding Business Day.

## **ARTICLE 2 REPRESENTATIONS AND WARRANTIES OF TALMORA**

### **2.1 Property Representations and Warranties**

Talmora represents and warrants to Olivut the following as of the Execution Date and, if applicable, the date of the exercise of the Option:

- (a) the Mineral Interests comprised in the Properties are in good standing with respect to the performance of all obligations (including, without limitation, payment of mining duties, fees and area charges, and filing of reports with respect to exploration work) as applicable under all laws of the Northwest Territories and Canada (including, without limitation, applicable mining and HSE laws) and, each such Mineral Interest is exclusively owned by and duly registered in the name of Talmora indicated for such Mineral Interest on Schedule “A”, free and clear of any Encumbrances. Talmora has not granted, nor does any third party have the right to acquire, the whole or any portion of the Mineral Interests comprised in the Properties;
- (b) the Mineral Interests comprised in the Properties permit Talmora of such Mineral Interest (as set out on Schedule “A”) to grant to Olivut during the term of the Option the exclusive right to carry out prospecting, exploration, pre-development and feasibility activities on the Properties as to diamonds or other minerals without further consent of the Government Authorities, during the respective terms of such Mineral Interests, on behalf of Talmora;
- (c) there are no adverse claims or challenges to Talmora’s right, title and interest in the Properties and Talmora has no notice of, or knowledge of, any proposal to terminate or vary the terms of or rights attaching to any of the Properties from any Government Authority;
- (d) Talmora has not assigned, encumbered or promised to assign or encumber the Properties or the rights which derive therefrom and Talmora has not acquired, with respect to third parties, any obligation whatsoever which would prevent it from entering into this Agreement;
- (e) upon exercise of the Option by Olivut, and provided Olivut has incurred Work Costs as described in Section 3.2, Talmora shall, subject to any required government consents, have the obligation to transfer and register an undivided fifty percent (50%) interest

in its respective Mineral Interests and Talmora Assets comprised in the Properties to Olivut or as Olivut may direct;

- (f) no approvals and consents, including from any Government Authority, are required in order for Talmora to enter into this Agreement with Olivut and carry out its obligations hereunder;
- (g) all material information and data concerning the Properties considered relevant by Talmora in its possession has been divulged or made available to Olivut;
- (h) there are no actions, suits, investigations or proceedings before any court, arbitrator, administrative agency or other tribunal or Government Authority, whether current, pending or to the knowledge of Talmora, threatened, which directly or indirectly relates to or affect the Properties or Talmora nor is Talmora aware of any facts which would lead it to suspect that the same might be initiated or threatened;
- (i) Talmora has not, and to the best of the knowledge, information and belief of Talmora, no other Person has, directly or indirectly caused, permitted or allowed any Hazardous Substances to be released, discharged, placed, escaped, leached or disposed of on, into, under or through the Properties (including watercourses, improvements thereon and contents thereof) or nearby areas and, to the best of the knowledge, information and belief of Talmora, no Hazardous Substances or underground storage tanks are contained, harboured or otherwise present in or upon such lands (including watercourses, improvements thereon and contents thereof or nearby areas);
- (j) there are no outstanding obligations or commitments for reclamation, closure or other environmental corrective, clean up or remediation action directly or indirectly relating to the Properties;
- (k) to the best of the knowledge, information and belief of Talmora, no Properties lie within any protected area, rescued area, reserve, reservation, reserved area or special needs lands as designated by any Governmental Authority having jurisdiction that would impair the development of a mining project on such land;
- (l) to the best of the knowledge, information and belief of Talmora, there are no pending or ongoing actions taken by or on behalf of any native or indigenous Persons pursuant to the assertion of any land claims with respect to lands included in the Properties;
- (m) the activities directly or indirectly relating to the Properties by or on behalf of any Owner and, to the best of the knowledge, information and belief of Talmora, by any other Person, have been in compliance with all laws of the Northwest Territories and Canada as applicable and Talmora has not received any notice nor is Talmora aware after reasonable inquiry of any such breach or violation having been alleged; and
- (n) no environmental audit, assessment, study or test has been conducted in relation to the Properties by or on behalf of Talmora nor is Talmora aware of any of the same

having been conducted by or on behalf of any other Person (including any Governmental Authority).

## **2.2 Representations and Warranties of the Parties**

Each of Talmora and Olivut represents and warrants to the other Party the following as of the Execution Date and, if applicable, the date of the exercise of the Option:

- (a) it is a body corporate duly incorporated, organized and validly subsisting under the laws of its incorporating jurisdiction and it has full power and authority to carry on its business and to enter into this Agreement and any agreement or instrument referred to or contemplated by this Agreement;
- (b) the execution and delivery of and performance by such Party of this Agreement and the completion of the transactions contemplated by it have been duly authorized by all necessary corporate action on the part of such Party;
- (c) neither the execution and delivery of this Agreement, nor any of the agreements or transactions referred to herein or contemplated hereby, will conflict with, result in the breach of or accelerate the performance required by any material agreement to which it is a party;
- (d) the execution and delivery of this Agreement and the agreements and transactions contemplated hereby will not violate or result in the breach of the laws of any jurisdiction applicable or pertaining thereto or of its constating documents; and
- (e) this Agreement has been duly executed and delivered by such Party and constitutes a legal, valid and binding agreement of such Party, enforceable against it in accordance with their respective terms subject only to any limitation under applicable laws relating to (i) bankruptcy, winding-up insolvency, arrangement, fraudulent preference and conveyance, assignment and preference and other similar laws of general application affecting creditors' rights, and (ii) the discretion that a court may exercise in the granting of equitable remedies such as specific performance and injunction.

## **2.3 Termination of Representations and Warranties**

The representations and warranties contained in this Agreement are conditions on which the Parties have relied in entering into this Agreement and will survive the execution hereof and the acquisition of any Earned Interest by Olivut hereunder. These representations and warranties shall survive the termination of this Agreement for a period of two years after such termination.

# **ARTICLE 3 OPTION**

## **3.1 Grant**

Subject to the Financing, Talmora hereby grants to Olivut the sole and exclusive right and option to acquire an undivided fifty percent (50%) interest in Talmora Assets free and clear of all Encumbrances, set out in Schedule "A", on the terms and conditions described in this Article 3 (the "**Option**"). Talmora also hereby grants to Olivut a right of first refusal during the Option Period for 30

days following the date of any offer on other Mineral Interests owned 100% by Talmora, as set out in Schedule 'A', provided Olivut offers Talmora a nominal premium over an unrelated third-party offer or as otherwise mutually agreed (the "**Right of First Refusal**").

### **3.2 Option Consideration**

- (1) Olivut may exercise the Option to acquire the Earned Interest in consideration for the following:
  - (a) incurring, or causing to be incurred, Work Costs on the Properties in the amount of \$1,200,000 in the 24-month period following the Execution Date (subject to Force Majeure pursuant to Article 11) (the "**Work Cost Deadline**");
  - (b) paying to Talmora a cash payment of \$200,000 within 30 days following the closing of the Financing related to this Option (subject to Force Majeure pursuant to Article 11) and, in any event, no later than August 15, 2018; and
  - (c) granting the Seahorse Royalty.
- (2) The Parties acknowledge and agree that Olivut shall determine in its sole discretion, upon consideration of the recommendations put forth by the Technical Committee, on which of the Properties the Work Costs will be incurred provided that the Work Costs include the following, acting reasonably:
  - test up to 10 targets if possible, by drilling a hole in each to a minimum depth of 100 meters if possible to collect material for standard caustic fusion and microdiamond analysis if kimberlite is encountered; and
  - ship samples to Saskatchewan Research Council for caustic fusion and microdiamond analysis if appropriate.
- (3) The Parties recognize that Olivut may, at its option and subject to availability, subcontract for the use of equipment and/or personnel to conduct the exploration programs on the Properties and if so, such subcontracting or reimbursement costs shall be Work Costs for purposes of the Option.
- (4) Olivut shall prepare and submit to Talmora within ninety (90) days following the Work Cost Deadline an itemized statement of the \$1,200,000 Work Costs incurred prior to the Work Cost Deadline (including a make-up payment pursuant to Section 3.4), which shall be certified to be correct by an officer of Olivut. Any audit pursuant to Section 3.6 shall not cause Olivut to be in breach of its obligations under Section 3.2(1)(a), provided it complies with Section 3.6.
- (5) Olivut shall prepare and submit to Talmora a comprehensive report inclusive of all results of the work undertaken by Olivut during the Option Period on the Properties within ninety (90) days following the date of completion of the Work Costs, which shall include an itemized statement of Work Costs incurred since the statement prepared pursuant to Section 3.2(4) (including a make-up payment pursuant to Section 3.4), which shall be certified to be correct by an officer of Olivut. Any audit pursuant to Section 3.6 shall not cause Olivut to be in breach of its obligations under Section 3.2(1)(a), provided it complies with Section 3.6.

### **3.3 Optional Nature of Payments by Olivut**

The Work Costs are not committed amounts and may be made in Olivut's sole discretion, provided that, Olivut or an Affiliate must incur the Work Costs in accordance with the schedule in Section 3.2 in order to maintain the Option, subject to Force Majeure pursuant to Article 11 and the make-up rights in Section 3.4. Olivut may elect to terminate the Option at any time prior to the JV Operative Date and, if so, Olivut shall satisfy its obligations under Section 8.2.

### **3.4 Make Up Payments**

If at the Work Cost Deadline less than \$1,200,000 in Work Costs have been incurred, Olivut may pay the deficiency to Talmora, or as it may otherwise direct in writing and Talmora agrees that it is not entitled to any share of such payment made to such other party. The payment of such deficiency in Work Costs, provided it is made within five (5) Business Days of the Cost Deadline, shall for purposes of this Agreement be deemed to be Work Costs incurred by Olivut on or before the Cost Deadline.

### **3.5 Exercise of Option**

Upon Olivut incurring or causing to have been incurred the Work Costs in accordance with the schedule in Section 3.2 (as may be extended as a result of Force Majeure and subject to make-up rights in Section 3.4), Olivut will notify Talmora of such satisfaction of the Work Costs. Upon delivery of such notice by Olivut (the "**JV Operative Date**"), the Option shall have been exercised and Olivut (or, as Olivut may direct, a subsidiary of Olivut) shall have acquired an undivided 50% interest in Talmora Assets, free and clear of all Encumbrances, other than (i) the Seahorse Royalty, (ii) those set out on Schedule "A", and (iii) any Encumbrance arising under the Mining Act (the "**Earned Interest**"). Any audit pursuant to Section 3.6 shall not affect the Earned Interest on the JV Operative Date provided Olivut complies with Section 3.6.

### **3.6 Work Cost Statement and Audit**

An itemized statement of Work Costs completed in respect of any portion of the Option Period, certified to be correct by an officer of Olivut, will be conclusive evidence of the making of such Work Costs unless within ninety (90) days of receipt of such statement, Talmora delivers to Olivut an objection to the statement. If Talmora delivers an objection within such ninety (90) day period, then it will be entitled to request that the independent auditors of Olivut audit the Work Costs provided for in the statement of Work Costs that is the subject of the objection. At the conclusion of such audit:

- (a) if the auditors determine that the actual Work Costs completed exceeds the statement of Work Costs, or if the auditors determine that the Statement of Work Costs was accurate within five percent (5%) of actual Work Costs (above or below), then the costs of the audit will be borne by Talmora and any overstatement of the actual Work Costs so determined will constitute Work Costs for the purposes of Section 3.2; and
- (b) if any such auditors' determination results in a deficiency in the amount of Work Costs to be completed under Section 3.2, then Olivut shall pay to Talmora within thirty (30) days after such auditors' determination the amount equal to the shortfall in Work Costs, and such payment will be deemed to be a payment of cash in lieu of Work Costs in advance of the relevant due date specified in Section 3.2, and if the deficiency was more than five percent (5%), the costs of the audit shall be covered by Olivut.

The auditors' determination of Work Costs will be final and determinative of the amounts stated in the statement in question, and will not be subject to arbitration hereunder. This provision shall survive the termination of this Agreement if so terminated upon entering into the Shareholder Agreement.

### **3.7 Failure to Acquire Interest**

If Olivut elects not to or fails to incur the Work Costs referred to in Section 3.2 within the time periods required thereunder (subject to Section 3.4 and subject to any extension under Article 11), then Olivut will be deemed to have elected not to acquire any Earned Interest which will remain solely held by Talmora, Olivut will retain ownership of the Olivut Assets other than (i) Olivut Data, and (ii) New Lands pursuant to Section 12.1(a), each of which shall be returned to Talmora according to Section 8.2(a) and this Agreement will terminate with respect thereto without further action of the Parties. The foregoing termination shall be Talmora's sole and exclusive remedy in the event Olivut has not made the Work Costs by the due date as specified in Section 3.2, subject to Section 3.4 and Article 11, provided that any such termination shall not relieve Olivut of its obligations under Section 8.2 or any provisions that survive termination of this Agreement.

## **ARTICLE 4 MAINTENANCE OF MINERAL INTERESTS**

### **4.1 Rights to Act as Operator**

Olivut or an Affiliate shall have the exclusive right to manage and operate all work programs carried out on the Properties for so long as the Option remains outstanding, and all work programs shall be in the sole discretion of Olivut upon consideration of the recommendations put forth by the Technical Committee. Thereafter work programs shall be carried out as provided pursuant to the Shareholders Agreement.

### **4.2 Operator Rights during Option Period**

Olivut shall have the following rights as operator during the Option Period, subject to the requirements of the Mineral Interests:

- (a) the right to enter in, under and upon the Properties;
- (b) the sole and exclusive possession, supervision, management and control of the Properties including any access, water, surface or other rights appurtenant thereto or associated therewith with full power and authority to its servants, agents and contractors to sample, survey, examine, diamond drill, prospect, explore, and do other work on the Properties in respect of mineral location, development and mine planning in such manner as Olivut may in its sole discretion determine, including the right to erect, bring and install thereon and remove therefrom all such buildings, machinery, equipment and supplies as Olivut shall deem reasonable and proper and to remove therefrom reasonable quantities of ores, minerals or metals for assay and testing purposes; and
- (c) the right to remove minerals from such properties for assay and testing purposes in such quantities as may be permitted by the terms of the applicable Mineral Interest.



### 4.3 Operator Obligations during Option Period

As operator, Olivut is obligated during the Option Period to:

- (a) consider, develop and implement programs to carry out work and incur Work Costs on the Properties;
- (b) pay all Work Costs properly incurred promptly as and when due;
- (c) conduct all work on or with respect to the Properties in a manner consistent with good exploration, engineering and mining practice and Olivut's standard safety and environmental standards and in compliance with the applicable laws, including HSE Laws;
- (d) keep the Properties free and clear of any environmental or safety hazards as a result of Olivut's performance (or non-performance) of its obligations under this Agreement. Without limiting the generality of the foregoing, if Olivut completes any advanced exploration or development work which requires a closure plan pursuant to the requirements of Canadian law, it shall post the necessary financial assurance in order to comply with the requirements of the closure plan;
- (e) subject to Section 4.5, as applicable, to perform such assessment work or make payments in lieu thereof and pay such rentals, taxes or other payments and, by co-operating with Talmora as the holders of record for the Properties, do all such other things as may be necessary to maintain the Properties and related Assets in good standing including registering mining concessions, and applying for additional Mineral Interests and Other Rights (subject to Article 12);
- (f) report quarterly to the Technical Committee on Work Costs completed, Work Costs accrued (quarterly and cumulative), and general plans for future Work Costs and related budgets;
- (g) notify Talmora immediately after any potential "material change" and/or significant results are obtained with respect to the Properties;
- (h) maintain true and correct books, accounts and records of Work Costs; and
- (i) notify Talmora on a timely basis with respect to all material aspects of the above matters.

### 4.4 Owner Right to Access

During the period prior to the exercise of the Option, Talmora will have access to its respective Owned Properties, provided that Talmora will not materially interfere with or obstruct the operations of Olivut or its Affiliate, or their respective employees or agents on the Properties, and provided further that Talmora and their representatives will enter upon the Properties at their own risk. After exercise of the Option, Talmora shall have access to the Properties for the purpose of gaining access to its other Mineral Interests, provided that Talmora and its representatives will enter upon the Properties at their own risk.

#### **4.5 Maintaining Certain Mineral Interests in Good Standing**

Talmora will be responsible for making such filings, and paying all prospecting and licensing costs, to maintain the rights to its Owned Properties in good standing with the Government Authorities in the Northwest Territories. Notwithstanding the foregoing, if Talmora provides Olivut at least thirty (30) days prior notice of the due date of any prospecting permit costs included in the Properties, Olivut shall be responsible for making payment of those costs directly to the applicable Government Authorities. If such advance notice is not provided and Talmora pays such costs itself, subject to Section 3.2(2), Olivut shall reimburse Talmora for such costs within thirty (30) days of receipt of an invoice therefore. In either case, Olivut shall be entitled to include any costs so paid or reimbursed in the Work Costs.

#### **4.6 Renewal of Mineral Interests**

Prior to the exercise of the Option and prior to the expiry of the term of any Mineral Interests comprised in the Properties and each renewal thereof, Talmora shall take all steps necessary or appropriate to obtain an extension of the term of such Mineral Interests for the maximum renewal term available (each Mineral Interest as so extended hereinafter the “**Renewed Licence**”). The Parties acknowledge that the area subject to the Renewed Licence may, as a condition of obtaining such Renewed Licence, be required to be reduced, and the Parties agree that the portion of the Properties to be dropped in respect of each Renewed Licence shall be the least valuable portion of the Properties as agreed to by both Parties in writing (failing such agreement, as determined by the Technical Committee, acting reasonably).

#### **4.7 Programs**

During the Option Period, on or before each of July 31, 2018 and July 31, 2019, OLV will submit to Talmora for information purposes, an exploration program for some or all of the Properties. The term of each program proposed will not exceed 12 months unless the Parties otherwise agree. Each Program will contain a statement in reasonable detail of the proposed operations and a budget containing estimates of all Work Costs anticipated to be incurred over such program.

#### **4.8 Copies of Notices**

During the Option Period, each of the Parties will have the following obligations:

- (a) each Party will promptly deliver to the other Parties any notices, demands or other material communications relating to any of the Properties that such Party receives;
- (b) each Party will obtain the prior written approval of the other Party to the sending of any notice, demand or other material communications relating to any of the Properties, to any adjacent property owner or to any Government Authority; and
- (c) each Party will refrain from creating any Encumbrance of its interest in any of the Assets unless it receives written approval from the other Party.

**ARTICLE 5**  
**FORMATION OF JV COMPANY AND REORGANIZATION OF OWNERHIP OF ASSETS**

**5.1 Provisions for Formation**

- (1) On the JV Operative Date, Talmora on the one hand, and Olivut on the other hand, as joint (50/50) Owner of the Assets, subject to a different arrangement being agreed upon pursuant to Section 5.2 or otherwise by the Parties, shall immediately form JV Company and, upon such formation, shall enter into the shareholders agreement for JV Company in the form attached as Schedule "C", subject to such amendments or modifications as the Parties may agree in writing (the "**Shareholders Agreement**"). After the JV Operative Date and formation of JV Company, and until such time as the Shareholders Agreement is executed by such Parties, the shareholders agreement in Schedule "C" shall be the effective Shareholders Agreement in respect of JV Company and the Parties agree to be bound by its terms.
- (2) The shares of JV Company shall be issued to Olivut (or its designated Affiliate) and to Talmora (or its designated Affiliate), such that their shareholdings immediately following incorporation of JV Company are as follows:
  - (i) Olivut or its Affiliate – 50% of the issued and outstanding voting shares; and
  - (ii) Talmora or its Affiliate – 50% of the issued and outstanding voting shares.
- (3) Upon Olivut exercising the Option, the Parties will undertake such transactions as required to establish a joint venture company pursuant to the *Canada Business Corporations Act* (as amended) ("**JV Company**") that will hold the Assets indirectly through one or more wholly-owned subsidiaries of JV Company formed under the laws of Canada (the "**Subsidiaries**"). Upon or as soon after the JV Operative Date as practicable, Talmora shall transfer to the applicable Subsidiaries all of its interest in its Assets and Olivut shall transfer to the applicable Subsidiaries all of Olivut's interests in the Olivut Assets, and then transfer the Mineral Interests subject of such agreement (to the extent forming part of the Properties) to JV Company and the cost of such exercise shall be shared 50/50 by Talmora and Olivut. Each of the Parties will take all actions as may be required to transfer the Assets to JV Company, free and clear of any liens Encumbrances, other than Encumbrances described in Schedule "A".
- (4) Upon or as soon after the JV Operative Date as practicable:
  - (a) Olivut shall transfer to the applicable Subsidiaries all of Olivut's interests in any New Lands acquired and which have become Properties in accordance with section 12.1(a) of this Agreement, and Olivut shall be entitled to include the costs reasonably incurred by Olivut in acquiring such New Lands and Work Costs in respect of such New Lands as Work Costs for the purposes of this Agreement; and
  - (b) Olivut and Talmora shall each transfer to the applicable Subsidiaries all of their respective interests in any New Lands acquired and which have become Properties in accordance with section 12.1(b) of this Agreement, and Olivut shall reimburse Talmora for 50% of the acquisition costs of any New Lands so transferred.

## 5.2 Other Structures

The Parties shall negotiate in good faith amendments to this Agreement and the Shareholders Agreement satisfactory to all Parties and with substantially the same commercial effect and which do not breach applicable law, if either Talmora or Olivut is advised by its tax or legal advisors that such amendments are required in order to obtain a better tax or legal result consistent with the Parties' commercial intentions.

## ARTICLE 6 RESTRICTIONS ON TRANSFERS

### 6.1 No Transfer or Encumbrance

- (1) Prior to formation of, and the transfer of all Assets into, JV Company on the terms of Article 5, Talmora shall not directly or indirectly Transfer all or any part of its right, title or interest in any Owner Assets without the prior written consent of Olivut (which consent may not be unreasonably withheld) except in accordance with Section 6.3 or pursuant to Section 5.1(3). During the term of this Agreement, Talmora shall not deal with any Person other than Olivut and Olivut's Affiliates in respect of Talmora's interests in the Properties and Property Data.
- (2) Prior to formation of, and the transfer of all Assets into, JV Company on the terms of Article 5, Olivut shall not directly or indirectly Transfer all or any part of its right, title or interest in any Olivut Assets without the prior written consent of Talmora (which consent may not be unreasonably withheld) except in accordance with Section 6.3 or pursuant to Section 5.1(3). During this term of this Agreement, Olivut shall not deal with any Person other than Talmora and its Affiliates in respect of Olivut's interests in any Properties and Property Data forming part of the Olivut Assets.

### 6.2 No Assignment

Prior to formation of, and the transfer of all Assets into, JV Company, except in accordance with Section 6.3, no Party will transfer or assign or otherwise dispose of any part of its interest in this Agreement without the prior written consent of the other Party, which consent may not be unreasonably withheld.

### 6.3 Assignment to Affiliate

Nothing in Section 6.1 or 6.2 applies to or restricts in any manner:

- (a) a disposition by Olivut or Talmora (the "**Transferring Party**") of all or a portion of its Restricted Interests to an Affiliate of the Transferring Party, provided that the Transferring Party guarantees the obligations of the Affiliate and such Affiliate assumes and agrees to be bound by the terms of this Agreement (as "TAI" or "Olivut" as the case may be) and agrees with the other Parties in writing to retransfer the Restricted Interests to the Transferring Party before ceasing to be an Affiliate of the Transferring Party; or
- (b) an amalgamation or corporate reorganization involving a Party which has the effect in law of the amalgamated or surviving corporation possessing all the property, rights

and interests and being subject to all the debts, liabilities and obligations of each amalgamating or predecessor corporation.

For purposes hereof “**Restricted Interests**” means (i) in the case of Olivut, its interest in this Agreement and any Olivut Assets, and (ii) in the case of Talmora, its interest in this Agreement and its interest in Talmora Assets.

## **ARTICLE 7 EXCLUSION OF PROPERTIES**

### **7.1 Abandonment of Property**

Other than due to a requirement by law, the Party holding registered title to a Property, from to time, may only abandon or surrender, or allow to lapse or to expire, any Property with the prior written consent of the other Party.

## **ARTICLE 8 TERMINATION**

### **8.1 Termination**

Notwithstanding any term or condition contained in this Agreement:

- (a) Olivut shall have the right at any time prior to exercise of the Option to terminate this Agreement on thirty (30) days’ prior written notice to Talmora without any further liability whatsoever, except as expressly set out herein;
- (b) Olivut may terminate this Agreement if Talmora fails to perform any of its material obligations under this Agreement and remains in default for a period of thirty (30) days after Talmora so failing has been given notice in writing by Olivut to remedy such failure to perform;
- (c) Talmora may terminate this Agreement if Olivut fails to perform any of its material obligations under this Agreement and remains in default for a period of thirty (30) days after Olivut so failing has been given notice in writing by Talmora to remedy such failure to perform;
- (d) this Agreement shall terminate pursuant to Section 3.7 if Olivut fails to exercise the Option; and
- (e) this Agreement shall terminate upon execution of the Shareholders Agreement for JV Company by the applicable Parties.

### **8.2 Olivut Obligations**

Upon any termination of this Agreement as provided in Section 8.1, other than pursuant to Section 8.1(b) as a result of a breach by Talmora or pursuant to Section 8.1(e):

- (a) Olivut shall ensure that:

- (i) all Property Data (other than Olivut Data) and any copies thereof are returned to Talmora within thirty days of the date of termination;
  - (ii) subject to (iii), copies of all Olivut Data are provided to Talmora within thirty days of the date of termination; and
  - (iii) in the case of physical Olivut Data such as drill cores and samples, all drill core not processed and all samples will be provided to (or remain with) Talmora, except that Olivut will be entitled to retain representative suites or samples of geological material (for example, small core samples and indicator minerals) provided that no such retained geological material is the only sample of such material;
- (b) Olivut shall pay or reimburse Talmora for the costs of keeping the Properties in good standing for a period of up to twelve months from the effective date of termination, with the exception of the 16 claims located on map sheet 097 A04 NW which may not form part of the Properties in the event they lapse; and
- (c) Olivut shall ensure that the Properties are free and clear of any environmental or safety hazards and are not subject to environmental liabilities under HSE Laws as a result of the work conducted by Olivut hereunder in contravention of the standard of care in Section 4.3(c).

### 8.3 Removal of Equipment

If the Agreement is terminated prior to the JV Operative Date, Olivut shall have 12 months to remove all its equipment from the Properties and shall do so if requested by Talmora. Talmora may waive the obligation of Olivut to remove equipment and, if not removed, the equipment will be deemed to belong to Talmora without the need of any compensation.

### 8.4 Survival

The provisions of Sections 8.2 and 8.3 shall survive termination of this Agreement.

## ARTICLE 9 INDEMNITIES

### 9.1 Owner's Indemnity

- (a) Talmora shall indemnify and save harmless Olivut and its Affiliates and their respective directors, officers, employees, agents, representatives, contractors and subcontractors (collectively the "**Olivut Indemnified Parties**") from and against any Losses of every kind whatsoever, whether direct or indirect, which at any time or from time to time are directly or indirectly incurred or suffered by any of the Olivut Indemnified Parties in connection with, as a result of or arising out of:
  - (i) any breach of this Agreement (including a breach of the representations, warranties and covenants herein) by Talmora;

- (ii) the performance by Olivut and/or its Affiliates of any obligations performed at the express direction of Talmora under this Agreement; or
- (iii) the negligent acts or omissions of Talmora, its Affiliates, or its respective directors, officers, employees, agents, representatives, contractors or subcontractors on the Properties pursuant to its access rights under Section 4.4 during the Option Period.

For greater certainty, no termination of this Agreement shall disentitle any of the Olivut Indemnified Parties from obtaining indemnification from Talmora pursuant to this Section.

- (b) Notwithstanding anything to the contrary expressed or implied in this Agreement, no indemnification shall be sought from Talmora for any breach of this Agreement by a Talmora Party unless and until Olivut has first given written notice to Talmora specifying the particulars of such breach, and such breach has not been remedied by Talmora within thirty (30) days from the date of delivery of such notice.

## 9.2 Olivut's Indemnity

- (a) Olivut shall indemnify and save harmless Talmora, its Affiliates and its directors, officers, employees, agents, representatives, contractors and subcontractors (collectively the "**Talmora Indemnified Parties**") from and against any Losses of every kind whatsoever, whether direct or indirect, which at any time or from time to time are directly or indirectly incurred or suffered by any of the Talmora Indemnified Parties in connection with, as a result of or arising out of:
  - (i) any breach of this Agreement (including a breach of the representations, warranties and covenants herein) by Olivut;
  - (ii) the performance by Talmora or its Affiliates of any obligations performed at the express direction of Olivut under this Agreement;
  - (iii) the negligent acts or omissions of Olivut, its Affiliates, or their directors, officers, employees, agents, representatives, contractors or subcontractors, in carrying out Olivut's activities as operator on the Properties under this Agreement (to the extent such are not done or omitted to be done with Talmora's written concurrence).

For greater certainty, no termination of this Agreement shall disentitle Talmora from obtaining indemnification from Olivut pursuant to this Section.

- (b) Notwithstanding anything to the contrary expressed or implied in this Agreement, no indemnification shall be sought from Olivut for any breach of this Agreement by Olivut unless and until Talmora first gives Olivut written notice specifying the particulars of such breach, and such breach has not been remedied by Olivut within thirty (30) days from the date of delivery of such notice.



### **9.3 No Consequential Damages**

No Party shall be liable to any other Party or Person under this Agreement for consequential, special or punitive damages, including loss of profits.

### **9.4 Survival**

The provisions of this Article 9 shall survive termination of this Agreement.

## **ARTICLE 10 CONFIDENTIALITY**

### **10.1 Confidentiality Restrictions**

Information concerning this Agreement or any matters arising from or in connection therewith including all Property Data and all other data, reports, records, and other information coming into the possession of the Parties by virtue hereof (collectively, the “**confidential information**”) that has not otherwise been lawfully disclosed shall be treated as confidential by the Parties and shall not be:

- (a) disclosed by any Party to any other Person except as permitted hereby; or
- (b) used for any purpose other than the purposes contemplated by this Agreement or the Shareholders Agreement,

without the prior written consent of the other Parties (such consent not to be unreasonably withheld), except to the extent that such disclosure may be necessary for observance of all applicable laws or by the rules and regulations of any regulatory authority or stock exchange having jurisdiction, based on the advice of counsel or for accomplishment of the purposes of this Agreement.

### **10.2 Permitted Disclosure.**

Notwithstanding Section 10.1, a Party may disclose confidential information:

- (a) to any legal, accounting, financial or other professional advisor of such Party or its Affiliates;
- (b) to any Government Authorities having proper jurisdiction; or
- (c) to its employees, consultants, and Affiliates to the extent necessary to assist the Party in carrying out its obligations under this Agreement or for other legitimate business purposes,

provided that the recipient pursuant to Section 10.2(c) of the disclosed confidential information has agreed to be bound by the confidentiality provisions of this Agreement, or confidentiality restrictions at least as restrictive, prior to disclosure. The disclosing Party hereby assumes liability to the other Parties for any breach of such confidentiality obligations by the Person to which such disclosing Party disclosed such confidential information.

### **10.3 Press Releases**

- (a) Talmora and Olivut agree to make a joint press release with respect to this Agreement and the transactions contemplated herein as soon as practicable after the

Execution Date. Talmora and Olivut further agree that there will be no public announcement or other disclosure of confidential information unless Talmora and Olivut have mutually agreed thereto or unless otherwise required by applicable law or by the rules and regulations of any regulatory authority or stock exchange having jurisdiction, based on the advice of counsel.

- (b) If any of Talmora or Olivut is required by applicable law or by the rules and regulations of any regulatory authority or stock exchange having jurisdiction to make a public announcement with respect to any Confidential Information, it will consult with the others and will provide as much notice as reasonably possible to the others of the form, nature and extent of the disclosure, including the proposed text of the announcement.
- (c) Any consent regarding another's press release or public statement pursuant to this Section 10.3 will not be considered an approval or certification as to the accuracy of the information in such press release or public statement, or a confirmation that such press release or public statement complies with the rules, policies, by-laws and disclosure standards of the applicable regulatory authorities or stock exchanges.

#### **10.4 Survival**

The provisions of this Article 10 shall continue to apply to Olivut and shall survive termination of this Agreement for a period of two years.

### **ARTICLE 11 FORCE MAJEURE**

#### **11.1 Force Majeure**

In this Agreement, the term "**Force Majeure**" means any event which is not reasonably within the control of a Party claiming suspension of the performance of an obligation hereunder pursuant to the terms of this Section, and which by the exercise of due diligence such Party is not reasonably able to prevent or overcome, including without limitation:

- (a) war, whether declared or undeclared, revolution, act of public enemies, insurrection, riot, embargo, blockade or terrorism or other unlawful act against public order or authority;
- (b) a strike, lock-out or other industrial disturbance;
- (c) a fire, flood, epidemic, quarantine, cyclone, tidal wave, flood, fire, earthquake, landslide, lightening or explosion; or
- (d) restrictions or restraint by any government or other authority, an injunction or other legal proceeding;

and in the case of Olivut's obligations under Article 3 and Article 4, shall also include:

- (e) weather conditions materially preventing or impairing work;

- (f) inability or unavoidable delay in obtaining rights-of-way, permits, easements to perform work at the Properties;
- (g) inability or unavoidable delay in securing necessary fuel, power, materials, contractors or labour at commercially reasonable costs to perform work at the Properties;
- (h) no reasonable and safe access to Properties for all necessary vehicles required to carry out work for a period in excess of 30 consecutive days due to inclement weather or other hazards affecting an access road; or
- (i) no reasonable and safe access to the Properties or surrounding area for all foot access required to carry out work for a period in excess of 30 consecutive days due to hazards or other safety aspects affecting the access by foot.

### **11.2 Effect of Force Majeure**

Performance of an obligation shall, insofar as its performance is prevented by Force Majeure, be suspended for so long as the Force Majeure continues to prevent such performance, and the non-performance of such obligation during such period of suspension shall not constitute a breach or default hereunder. The time or times within which any right hereunder may be exercised, work must be carried out or any obligation performed by a Party will, so long as the Party uses reasonable efforts to mitigate the effects of the Force Majeure, be extended by a period of time equal to all periods of time during which such Party is prevented, hindered or delayed in exercising such right, doing such work or performing such obligation hereunder by reason of any event of Force Majeure.

### **11.3 Notice of Force Majeure**

Any Party prevented by Force Majeure from carrying out an obligation expressly subject thereto hereunder shall promptly so notify the other Parties, providing reasonable particulars of the event of Force Majeure and the obligation the performance of which is prevented thereby, and shall take all such steps as may be reasonable in the circumstances to remedy such event of Force Majeure; provided, however, that no Party shall be required to settle any strike, lock-out or other labour dispute on terms which it would not otherwise so settle. Where the performance of such an obligation by any Party is prevented by an event of Force Majeure, such Party shall give notice to the other Parties immediately when such Force Majeure ceases to operate.

## **ARTICLE 12 AREA OF MUTUAL INTEREST**

### **12.1 Area of Mutual Interest**

- (1) So long as the Option remains outstanding or until JV Company has been established, neither Olivut nor Talmora or any of their respective Affiliates, representatives or other Persons acting on its and/or their behalf, can acquire, directly or indirectly, any interest in any Mineral Interests ("**New Lands**") located within the configuration on the ground formed by extending outward the outer boundaries by 20 km of each of the Mineral Interests comprised in the Properties at such time as shown on Schedule "B" (such area known as, the "**Area of Mutual Interest**"), without compliance with the following:

- (a) In the case of Olivut, it shall in writing advise Talmora from time to time of any New Lands applied for or acquired by it or any of its Affiliates, representatives or other Persons acting on its and/or their behalf within the Area of Mutual Interest within five days of such acquisition. Talmora shall have the right, by providing written notice thereof to Olivut within thirty (30) days of the date of receipt of Olivut's notice, to elect to have such New Lands subject to this Agreement. If Talmora so elects, Schedule "A" of this Agreement shall be amended to include any such New Lands such that they shall thereupon be considered "Properties" subject of this Agreement provided Olivut or Talmora shall retain registered title to such New Lands until the JV Operative Date. At the JV Operative Date such New Lands shall be transferred as provided in section 5.1. In such event, Olivut shall be entitled to include the costs reasonably incurred by Olivut in acquiring such New Lands as Work Costs for purposes of this Agreement. If Talmora fails to elect in thirty (30) days to have such New Lands subject of this Agreement, Olivut shall be free to deal with such New Lands outside of this Agreement, JV Company and the Shareholders Agreement and Talmora will be deemed to have elected not to acquire an interest in such New Lands;
- (b) In the case of Talmora, it shall in writing advise Olivut from time to time of any New Lands it intends to apply for or otherwise acquire by it or any of its Affiliates, representatives or other Persons acting on its and/or their behalf within the Area of Mutual Interest, within five days of such acquisition. Olivut shall have the right, by providing written notice thereof to Talmora within thirty (30) days of the date of receipt of Talmora's notice, to elect to have such New Lands subject to this Agreement. If Olivut so elects, Schedule "A" of this Agreement shall be amended to include any such New Lands such that they shall thereupon be considered "Properties" subject of this Agreement and Talmora shall retain registered title to such New Lands. Such amendment to Schedule "A" shall be made and Talmora shall be reimbursed the costs of acquisition, such costs being considered as Work Costs by Olivut for the purposes of this Agreement (provided that at the JV Operative Date such New Lands shall be transferred as provided in section 5.1). If Olivut fails to elect in thirty (30) days to have such New Lands subject of this Agreement, Talmora shall be free to deal with such New Lands outside of this Agreement, JV Company and the Shareholders Agreement and Olivut will be deemed to have elected not to acquire an interest in such New Lands; and
- (c) Any notice of acquisition within the Area of Interest delivered under this Section 12.1 shall set forth in detail (a) the date that the interest was acquired, (b) the interest which was acquired, (c) from whom the interest was acquired, (d) the amount of out of pocket costs incurred by the acquiring Party (or its Affiliate) in acquiring the New Lands, (e) the amount of annual maintenance costs the acquiring Party (or its Affiliate) anticipates incurring in respect of the New Lands, and (f) any material terms or conditions of the acquisition.

(2)



**ARTICLE 13**  
**PROPERTY DATA**

**13.1 Access to Records**

- (1) Subject to the terms and conditions hereof, Talmora shall be entitled twice in each calendar year to inspect the Property Data, or more often if required by Talmora to comply with applicable law provided that such additional inspections may only be exercised to the extent they do not unreasonably interfere with Olivut's operations. Olivut shall from the Execution Date until exercising the Option (unless this Agreement is earlier terminated) provide to Talmora quarterly reports regarding exploration activities on the Properties. Information received by Talmora hereunder shall be treated as confidential in accordance with the provisions of this Agreement.
- (2) The Parties acknowledge that nothing in this Agreement obligates a Party:
  - (a) to prepare, or to assist the other Party in the preparation of, any technical report or reports relating to the Properties which the other Party may be required to prepare and file with any Canadian or other regulatory authority at any time pursuant to National Instrument 43-101 "Standards of Disclosure for Mineral Projects", or any similar regulatory policy in any other jurisdiction; or
  - (b) to provide the services of, or to assist the other Party in procuring the services of, a "qualified Person" (as that term is defined in National Instrument 43-101) or equivalent in any other jurisdiction to produce, or to oversee the production of, any such technical report or reports.

**13.2 Initial Information**

Within ten (10) days of the Execution Date, Talmora shall disclose and deliver to Olivut all information and data, including, without limitation, all historical documentation with respect to title, all geological, geophysical and assay results, maps, environmental studies, tests and assessments and notifications from regulatory authorities, concerning the Properties and prior exploration, development, reclamation and remediation work carried out thereon and within its knowledge.

**ARTICLE 14**  
**DISPUTE RESOLUTION**

**14.1 Dispute Resolution**

The provisions of Article 12 of the Shareholders Agreement shall be deemed incorporated by reference into this Agreement and shall, with necessary modification, apply to any dispute under this Agreement.

## ARTICLE 15 GENERAL

### 15.1 Non-Exclusivity

Nothing in this Agreement shall restrict in any way the freedom of any of the Parties, except with respect to its respective interest in the Properties and other Assets, to conduct as it sees fit any business or activity whatsoever, including the exploration for, or the development, mining, production or marketing of any mineral, without any accountability to the other Party.

### 15.2 No Agency

Nothing in this Agreement shall be deemed to constitute any Party the partner, agent or legal representative of any other Party, or (except for those provisions expressly creating a trust relationship) to create any fiduciary relationship between them, for any purpose whatsoever.

### 15.3 Governing Law

This Agreement and its application and interpretation will be governed by and interpreted in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

### 15.4 Costs

Each Party will bear its own costs for and incidental to the preparation of this Agreement.

### 15.5 Notices

Any notice, commitment, election, consent or any communication required or permitted to be given hereunder by any Party hereto to another Party, in any capacity (hereinafter called a “Notice”) shall be in writing and shall be deemed to have been sufficiently given if delivered by a recognized courier agency, faxed, scanned and electronically transmitted (as long as a confirmation has been received from the recipient Party) or personally delivered to the address of such other Party hereinafter set forth:

To Olivut:

Olivut Resources Ltd.,  
PO Box 6690  
Hinton, Alberta, Canada  
T7V 1X8

Attention: Leni F. Keough  
President and CEO  
Facsimile: (780) 866-3713  
Email: [leni@olivut.com](mailto:leni@olivut.com)

To Talmora:

Talmora Diamond Inc.  
6 Willowood Court,  
North York, ON M2J 2M3

Attention: Ray Davies  
President and CEO  
Fax Number: (416) 499-5187  
Email: [rayal.davies@sympatico.ca](mailto:rayal.davies@sympatico.ca)

All notices shall be deemed duly given on the date of receipt, if delivered in person or by courier, or upon receipt of transmission, if delivered by facsimile or electronically, provided that in each case, if the notice is delivered other than on a Business day or after 5:00 pm local time (in the place of the recipient) on a Business Day, it shall be deemed to be received on the next following Business Day. Either Party may change its address for purposes hereof by giving notice to the other Party.

#### **15.6 Waiver**

Any waiver of a Party's rights, powers, privileges or remedies must be in writing and signed by that Party, and any such waiver given by a Party shall only relate to the particular event for which it is given.

#### **15.7 Amendment**

This Agreement shall not be modified, supplemented or amended except by written document expressly made to modify, supplement or amend this Agreement and executed by the Parties hereto.

#### **15.8 Successors**

This Agreement shall enure to the benefit of and be binding upon the Parties hereto and their respective successors and permitted assigns.

#### **15.9 Further Assurances**

Each Party hereto shall promptly do and provide all acts and things and shall promptly execute and deliver such deeds, bills of sale, assignments, endorsements and instruments and evidences of transfer and other documents and shall give further assurances as shall be necessary or appropriate in connection with the performance of this Agreement.

#### **15.10 Severance**

If any provision of this Agreement, or the application thereof to any Party, is held illegal, null, void, unenforceable or otherwise invalid under applicable law, such holding shall not effect the other provisions of this Agreement which can be given effect without the invalid provision, and to this end the Parties agree that the provisions of this Agreement are and shall be severable.

#### **15.11 Entire Agreement**

This Agreement contains the entire agreement between the Parties hereto dealing with the subject matter hereof and supersedes and replaces all negotiations, correspondence and prior agreements or understandings between the Parties relating thereto, including the Summary of Indicative Terms dated April 29, 2018, and the Parties will not be entitled to rely, in any dispute regarding this Agreement, on any term, condition or representation not expressly contained in this Agreement. No Party has given any warranty or made any representation to any other Party, other than any warranty or representation that is expressly set out in this Agreement.



#### **15.12 Counterparts**

This Agreement may be executed in any number of counterparts and all such counterparts, taken together, will be deemed to constitute one and the same instrument. This Agreement may be signed and accepted by facsimile or electronic means.

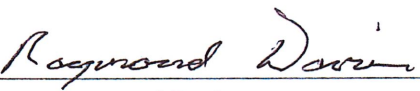
***[Signature Page Follows]***

IN WITNESS WHEREOF the Parties have executed this Agreement as of the date first above written.

**OLIVUT RESOURCES LTD.**

By:   
Name: Leni F. Keough  
Title: President and CEO

**TALMORA DIAMOND INC.**

By:   
Name: Raymond Davies  
Title: President and CEO

## SCHEDULE "A"

### PROPERTY DESCRIPTION

The Properties are located west of the Horton River, south of Paulatuk, Northwest Territories, Canada.

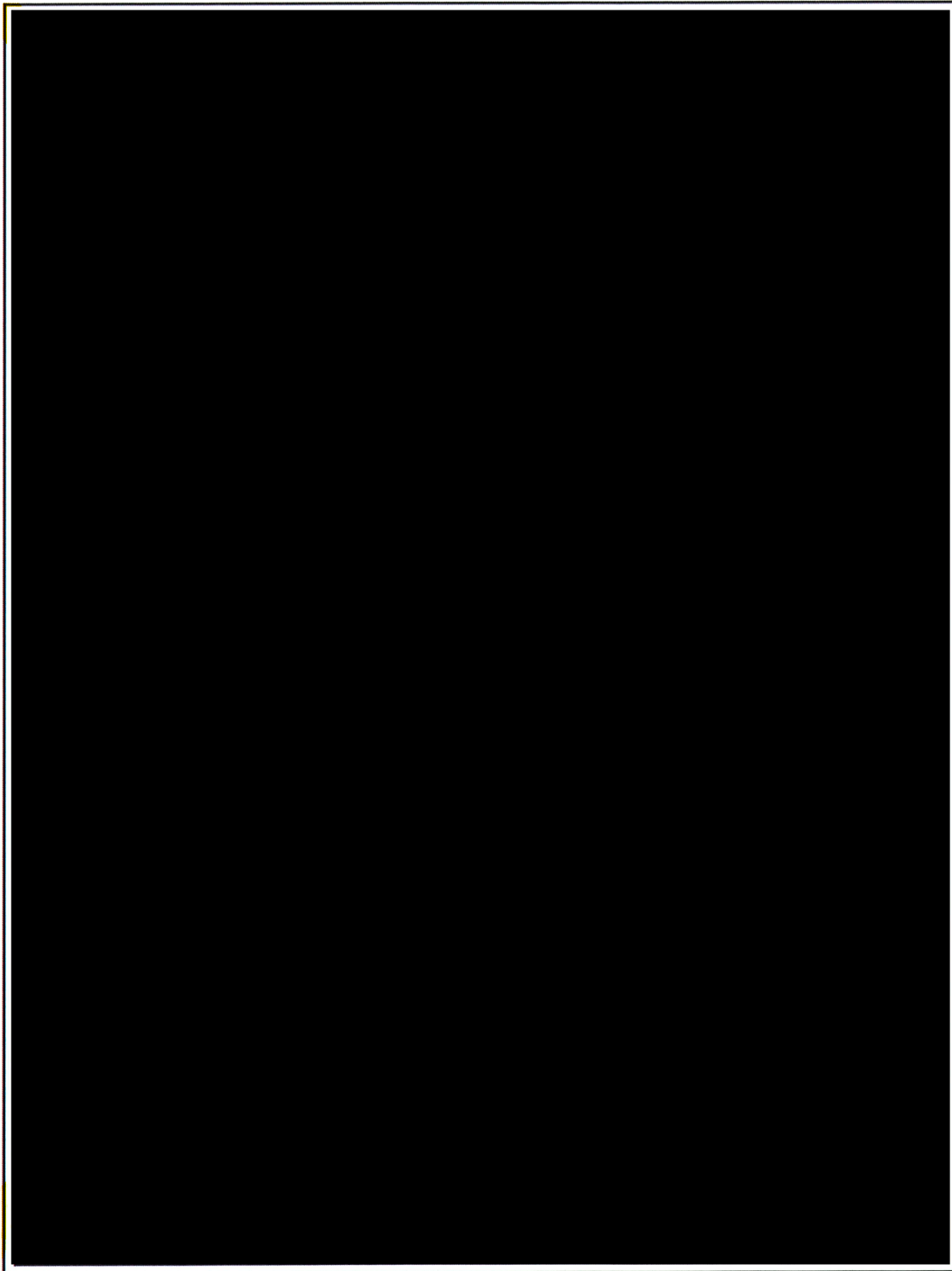
The Properties include Mineral Interests: (1) Prospecting Permit NP8436 (covering map sheet 097 B01 NE, (2) map sheets 097 B01 NW and 097 B01 SW to the west and southwest respectively and (3) map sheet 097 A04 NW containing 16 claims (see Schedule "B" map).

The Area of Mutual Interest is located within the configuration on the ground formed by extending outward the outer boundaries by 20 km of each of the Mineral Interests comprising the Properties but excludes, unless subsequently included by mutual agreement by the Parties, certain other mineral interests owned by Talmora at the time of execution of this Agreement, more particularly described as: Prospecting Permits NP8437 (map sheet 097 B01 SE) and NP8438 (map sheet 097 B08 SE), [REDACTED] and mineral claims within them as listed as follows:

Tenure #	Claim #	Anniversary Date
Map Sheet 096O13 (2)		
K13105	RD 85	2018-09-22
K13106	RD 86	2018-09-22
Map Sheet 097A04 SW (32)		
K13091	RD 71	2021-09-22
K13092	RD 72	2021-09-22
K13093	RD 73	2021-09-22
K13094	RD 74	2021-09-22
K13096	RD 76	2018-09-22
K13097	RD 77	2021-09-22
K13098	RD 78	2021-09-22
K13099	RD 79	2021-09-22
K13100	RD 80	2021-09-22
K13101	RD 81	2021-09-22

K13102	RD 82	2021-09-22
K13103	RD 83	2021-09-22
K13104	RD 84	2021-09-22
K13171	RD 51	2021-09-22
K13172	RD 52	2021-09-22
K13173	RD 53	2021-09-22
K13174	RD 54	2021-09-22
K13175	RD 55	2021-09-22
K13176	RD 56	2021-09-22
K13177	RD 57	2021-09-22
K13178	RD 58	2021-09-22
K13179	RD 59	2021-09-22
K13181	RD 61	2021-09-22
K13182	RD 62	2018-09-22
K13183	RD 63	2021-09-22
K13184	RD 64	2021-09-22
K13185	RD 65	2018-09-22
K13186	RD 66	2021-09-22
K13187	RD 67	2021-09-22
K13188	RD 68	2021-09-22
K13189	RD 69	2018-09-22
K13190	RD 70	2021-09-22
<b>Map Sheet 097A05 SW (01)</b>		
F96915	RD 15	2018-10-11
<b>Map Sheet 097A05 NW (12)</b>		
F96917	RD 17	2018-10-11
F96918	RD 18	2018-10-11
F96919	RD 19	2018-10-11
F96925	RD 25	2018-10-11
F96926	RD 26	2018-10-11
F96927	RD 27	2018-10-11
F96928	RD 28	2018-10-11
F96929	RD 29	2018-10-11
F96930	RD 30	2018-10-11
F96932	RD 32	2018-10-11
F96933	RD 33	2018-10-11
F96934	RD 34	2018-10-11
<b>TOTAL CLAIMS 47</b>		

## SCHEDULE "B" - PROPERTY AREA



**SCHEDULE C to the OLIVUT OPTION AGREEMENT**

**SEAHORSE ROYALTY AGREEMENT**

**THIS ROYALTY AGREEMENT** made the 6<sup>th</sup> day of July, 2018.

**BETWEEN:**

**OLIVUT RESOURCES LTD.**, incorporated under the laws of Ontario  
(the “**Owner**”)

- and -

**TALMORA DIAMOND INC.**, incorporated under the laws of Ontario  
(the “**Royalty Holder**”)

**WHEREAS** the Owner may earn a 50% interest in the Properties as defined in and pursuant to the exercise of an option granted in an option agreement dated July 6, 2018 (the “Olivut Option Agreement”) with the Owner as optionee and the Royalty Holder as optionor;

**AND WHEREAS** pursuant to the terms of the Olivut Option Agreement the Owner has agreed to grant to the Royalty Holder a net smelter return and net sales return royalty payable on the terms and conditions as specified in this royalty agreement;

**NOW THEREFORE THIS AGREEMENT WITNESSES** that in consideration of the premises and the mutual covenants and agreements hereinafter contained, the parties hereto hereby covenant and agree as follows:

**1. Seahorse Royalty Agreement**

This royalty agreement (hereinafter, the “**Seahorse Royalty Agreement**”) contains the entire agreement between the parties hereto with respect to all royalties that the Owner, its successors and/or assigns shall pay to the Royalty Holder. The royalties payable pursuant to this Seahorse Royalty Agreement are with respect to the mineral exploration area defined by the latitude and longitude co-ordinates listed on Schedule 1 hereto (hereinafter referred to collectively as the “**Property**”).

**2. Grant of Royalty**

The following royalties shall be paid in perpetuity to the Royalty Holder by the Owner, its successors and/or assigns, as the case may be, in connection with all metals and minerals of whatsoever nature or kind which may be found within, upon or under the Property including in the case of expiration of the Property and later new applications for mining concessions in the same area by any of the Owner, its successors and/or assigns or any of their associated or affiliated corporations, partnerships or business entities of whatsoever nature or kind, their successors and permitted assigns:

(a) a 1.0% net sales return (hereinafter "**Net Sales Return**") on Not Smelted Products (as hereinafter defined) (the "**Not Smelted Products Royalty**"); and

(b) a 1.0% net smelter return (hereinafter "**Net Smelter Return**") on Smelted Products (as hereinafter defined) (the "**Smelted Products Royalty**", collectively with Not Smelted Products Royalty, the "**Royalty**"),

payable to the Royalty Holder on the terms set forth below on the Property.

### 3. Terms of Royalties

3.1 For all metals or minerals derived by the Owner, or any subsequent transferee or assignee of the Owner, from the Property, not requiring smelting including, without limitation, industrial minerals, aggregate products, diamonds and precious stones, free gold, native silver, other precious metals and bulk mine tailings, waste rock, sand, gravel, trap rock and any materials removed from the Property and sold for any purpose (collectively, the "**Not Smelted Products**"), the Royalty Holder shall receive a Royalty equal to the applicable percentage of the Net Sales Return realized from the sale or disposition of the Not Smelted Products.

3.2 For all base and precious metals ("**Smelted Products**") derived by the Owner or any subsequent transferee of the Owner, from the Property including base and precious metals obtained from the reprocessing of tailings, mine wastes and residues, the Royalty Holder shall receive a Royalty equal to the applicable percentage of the Net Smelter Return realized or deemed to be realized as hereinafter provided, from the sale or disposition of the Smelted Products.

3.3 The aforementioned percentage of the Net Sales Return and percentage of the Net Smelter Return in Sections 3.1 and 3.2, respectively, shall be that determined in accordance with the provisions of Sections 2(a) and (b) of this Royalty Agreement and, in the calculation of the Royalty, such percentage shall be applied to 100% of the Net Sales Return or Net Smelter Return, as the case may be, derived from the Property regardless of dilution of the Owner's working interest or entitlement with respect to this Royalty Agreement, the Property, or the Products (as defined below).

3.4 For the purposes of this Royalty Agreement, the term "**Products**" shall be interpreted as a collective reference to Not Smelted Products and Smelted Products.

3.5 Net Sales Return Royalty - Not Smelted Products

(a) Net sales returns means the gross proceeds from the sale or disposition of Not Smelted Products to an independent purchaser, after deducting therefrom the cost of Valuation, Sorting (other than with respect to industrial minerals), Shipping and Insurance in connection with the Not Smelted Products as well as any sales, excise, production, export and other duties, levies, assessments and taxes (except income taxes) payable on the production or sale of Not Smelted Products (but not income taxes), and for the purposes hereof:



- (i) "Valuation" means the establishing of a value for each lot or group of sorted Not Smelted Products for purposes of reference when negotiating with a potential purchaser of the same;
  - (ii) "Sorting" means separation of Not Smelted Products from waste materials and dividing them into groups according to quality, size or other characteristics, and then the division of such groups into appropriate lots or groups for valuing and/or sale, it being acknowledged that in the case of gem quality Not Smelted Products, a group or lot may be a single stone;
  - (iii) "Shipping" means all methods of transportation or places of storage of Not Smelted Products from the moment they leave the Property until the passing of title thereto or risks therefor (whichever is the later) to an independent purchaser, including, without limitation, any cost that may be incurred by reason of such methods or places used or any sorting or valuation facilities being situated off the Property; and
  - (iv) "Insurance" means all reasonable insurance that the Owner considers advisable to protect all or part of the Not Smelted Products in the possession or control of the Owner (including, without limitation, during shipping) until the passing of title thereto or risks therefore (whichever is the later) and including, without limitation, the insurance or bonding of any person who does or may come into contact with any such Not Smelted Products at any point during the operations of the Owner whether such person is an employee of the Owner or otherwise.
- (b) If Not Smelted Products are sold to any entity with which the Owner does not deal at arm's length, the Not Smelted Products shall for the purposes hereof be deemed to have been sold at prices equal to the fair market value of the Products in all the relevant circumstances which, in the first instance, shall be determined by an independent valuator chosen by the Royalty Holder. The Owner may dispute such determination, in which case the provisions in section 3.7(f) shall apply.
- (c) The Owner shall have the right to commingle Not Smelted Products produced from the Property with ores and minerals produced from other properties. Before commingling, Not Smelted Products from the Property shall be weighed, sampled, assayed, measured or gauged by the Owner in accordance with sound mining and metallurgical practices for moisture, penalty substances and payable content. Detailed records shall be kept by the Owner for at least six (6) years showing weights, moisture and assays of payable content. Prior to commingling, the Owner shall give thirty (30) days' notice to the Royalty Holder specifying its decision to commingle and outlining the procedures it proposes to follow in this connection.
- (d) All calculations and computations relating to the Net Sales Return shall be carried out in accordance with International Financial Reporting Standards and in accordance with best mining practices.

### 3.6 Net Smelter Returns Royalty – Smelted Products

- (a) Net smelter returns means the gross proceeds from the sale or disposition of Smelted Products to an independent smelter, refinery or other unaffiliated purchaser after deducting therefrom the following total actual costs incurred by the Owner attributed to the treatment, handling and sale, if applicable, of such Smelted Products:
- (i) all smelting, refining, treatment, tolling, assaying, umpiring, sampling, selling, if applicable, and other costs, charges and penalties charged by any independent refinery, smelter or other unaffiliated purchaser of Smelted Products;
  - (ii) all costs of loading, securing, transporting and insuring Smelted Products from the Property and if applicable, the Area of Influence, to any independent refinery, smelter or other unaffiliated purchaser; and
  - (iii) all sales, excise, production, export and other duties, levies, assessments and taxes (except income taxes) paid on the production or sale, if applicable, of Smelted Products.
- (b) The gross sale proceeds for Smelted Products shall be deemed gross proceeds from deemed sales of Smelted Products, and sales of Smelted Products shall be deemed to have occurred, without regard to when or to whom they actually are made, upon the earliest of the following:
- (i) when Smelted Products are shipped by the Owner from the Property to an independent refinery, smelter or other unaffiliated purchaser; or
  - (ii) with respect to bullion produced by the Owner, the day the final, refined bullion has been produced by the Owner; or
  - (iii) with respect to doré produced by the Owner, three (3) business days after the doré has been produced by the Owner (where a “business day” is a day that is not a Saturday, Sunday or a statutory holiday in Toronto, Canada); or
  - (iv) with respect to concentrates produced by the Owner, thirty (30) days after those concentrates have been produced by the Owner.
- (c) The total deemed gross proceeds of all such deemed sales occurring within a single calendar quarter shall be determined:
- (i) in the case of gold, platinum, palladium and silver and other precious minerals, by multiplying the total number of troy ounces of the particular Smelted Product deemed sold within that quarter by the following:

- A. for gold, platinum or palladium, the arithmetic mean of the daily London P.M. fixing (per troy ounce of the respective Product) as set by the London Bullion Market Association for the quarter,
- B. for silver, the arithmetic mean of the weekly Handy & Harman base price per troy ounce as quoted in Metals Week for the weeks which conclude within that quarter, but in the event Metals Week is not published or if for any other reason such quotation is not available, the arithmetic mean of the daily Handy & Harman base quote as published in the Wall Street Journal for the quarter will be utilized; and
- C. In the case of base metals and other bulk mineral commodities by multiplying the total number of tonnes of the particular Smelted Products deemed sold within that quarter by the arithmetic mean of the daily midday rate for such metal or mineral commodity on the London Metal Exchange for the quarter.

In the event any of the aforementioned pricing mechanisms is no longer in existence or for any reason unavailable at any point in time, the parties shall use for pricing that market on which the largest volume of the particular mineral commodity is traded.

- (d) If smelting, refining, treatment, tolling, assaying or sampling of Smelted Products is performed by or at facilities owned or controlled by the Owner or any of its affiliates, all charges, costs and penalties therefor to be deducted pursuant to section 3.6(a) shall be equal to and not exceed the lower of: (i) the actual costs incurred by the Owner in carrying out such processes, and (ii) such amounts which the Owner would have incurred if such operations were conducted at facilities not owned or controlled by the Owner or any of its affiliates, and which were then offering comparable services for comparable quantities and quality of Smelted Products. If the Owner uses owned or leased equipment to transport such Smelted Products, the cost of transporting such products for the purposes of determining the amount of the Net Smelter Return shall not exceed the firm rates quoted by other competent and reliable haulers who are ready, willing and able to transport such products.
- (e) the Owner shall have the right to commingle Smelted Products produced from the Property with ores and minerals produced from other properties. Before commingling, Smelted Products from the Property shall be weighed, sampled, assayed, measured or gauged by the Owner in accordance with best industry mining and metallurgical practices for moisture, penalty substances and payable content. Detailed records shall be kept by the Owner for at least six (6) years showing weights, moisture and assays of payable content. Prior to commingling, the Owner shall give thirty (30) days' notice to the Royalty Holder specifying its decision to commingle and outlining the procedures it proposes to follow in this connection.
- (f) All calculations and computations relating to the Net Smelter Return shall be carried out in accordance with International Financial Reporting Standards and in accordance with best mining practices.

### 3.7 Royalties General Terms

- (a) Royalties shall accrue at the time of sale or deemed sale, as applicable and they shall become due and payable on a calendar quarter basis, on the twentieth (20th) day of the month next following the calendar quarter in which they accrue. The Royalty Holder acknowledge that the payor may be required by law to deduct withholding tax from payments hereunder and as a result each payment received by the Royalty Holder will be net of the withholding tax deducted if applicable.
- (b) At the time of making each Royalty payment to the Royalty Holder, the Owner shall provide the Royalty Holder with a certificate of a senior officer of the Owner that is arm's length to the Royalty Holder certifying as to the accuracy of the calculations of the Royalty payment and setting out the method of the calculation thereof to which shall be attached a true copy of the related smelter, refinery or mint sales receipt or receipts.
- (c) Net Sales Return and Net Smelter Return with respect to the respective Products shall be calculated exclusively as provided herein, and the Royalty computed thereon shall be determined without regard to any "hedging", "forward", "futures" or "derivatives" or comparable sales (collectively referred to as "future trading") of such Products by or on behalf of the Owner. The Royalty Holder shall not be entitled to any benefit of or be subject to any loss attributable to such future trading by the Owner.
- (d) The Owner shall cause to be kept proper books of account, records and supporting materials covering all matters relevant to the calculation of Royalties payable to the Royalty Holder and the reasonable verification thereof; and the Royalty Holder shall have, from time to time, the unfettered right, during regular business hours and on reasonable notice, to carry out at its sole cost and expense an audit by established independent professionals chosen by the Royalty Holder, of the methodology and manner of calculating all Royalty payments hereunder and the Owner shall provide, during regular business hours and on reasonable notice, unrestricted access to its books, accounts, records, vouchers, smelter refinery or mint statements, sales receipts and related documentation for this purpose. Should there be any difference in the amount of the Royalty payment or payments which are ultimately determined to be in the Royalty Holder's favour, which differ by more than three (3%) percent of the amount of the Royalty paid to the Royalty Holder, then the cost of said audit shall be reimbursed to the Royalty Holder.
- (e) The operations of the Owner or any of its affiliates with respect to the Property shall be conducted in a manner that will not result in any material breach of, or be in conflict with or constitute a material default under, or create a state of facts which, after notice or lapse of time, or both, would constitute a material default under any existing and future national, federal, state, provincial and municipal laws, by-laws, rules, regulations, orders, codes, judgements and all international treaties and agreements, relating to the protection of the

environment, reclamation, public health and safety and corporate social responsibility standards.

- (f) Any dispute (a “**Dispute**”) arising out of, relating to, or in connection with the quantum or methodology of calculating all Royalties payable hereunder shall be settled by arbitration carried out under this section and the *International Commercial Arbitration Act* (Ontario) as the same is in force from time to time. The venue for any such arbitration shall be Toronto, Ontario, Canada, or such other location as the parties may mutually agree and the language of the arbitration shall be English. The parties will use their best efforts to agree on one arbitrator and if such an agreement is reached, the arbitration shall be conducted by a single arbitrator. However, if the parties are unable to agree on one arbitrator, they shall each nominate an arbitrator and each of the arbitrators nominated by the parties shall nominate a third arbitrator who shall act as Chairman of the three-person arbitration panel in connection with the Dispute. Within twenty (20) days of the conclusion of the arbitration hearing, the Chairman of the arbitration panel shall prepare written findings of fact and conclusion of law. The award may include an award of costs, including reasonable legal fees and disbursements in the arbitration panel’s sole discretion. Judgement on the written award may be entered and enforced in any court of competent jurisdiction. It is mutually agreed that the written decision of the panel shall be valid, binding, final and will not be subject to appeal; provided, however, that the parties hereto agree that the panel shall not be empowered to award punitive damages against any party to such arbitration. The panel shall require the non-prevailing party to pay the panel’s full fees and expenses or, if in the panel’s opinion, there is no prevailing party, the panel’s fees and expenses will be borne equally by the parties thereto.
- (g) Any decision to place the Property into production shall be at the sole discretion of the Owner and if the Property or any part thereof is in or is placed into production, the Owner shall have the unfettered right to suspend, curtail or terminate any such operation as it in its sole discretion may determine.
- (h) This Royalty Agreement shall be construed, interpreted and the rights of the parties determined in accordance with the laws, other than the conflict of laws rules, of the Province of Ontario and the laws of Canada applicable therein and shall be treated in all respects as an Ontario contract. The parties hereby irrevocably attorn on a non-exclusive basis to the jurisdiction of the courts of the province of Ontario.
- (i) The Owner may from time to time abandon or surrender or allow to lapse or expire any part or parts of the Property and decline to pursue any area within the Property, if the Owner determines that they are not economically viable or otherwise have insufficient value to warrant continued maintenance. If the Owner abandons or surrenders or allows to lapse or expire or declines to pursue any part or parts of the Property, the Royalty Holder will not be limited in any way to stake or otherwise acquire, directly or indirectly, any right to or interest in any mining claim, license, lease, grant, concession, permit, patent, or other mineral property located wholly or partly within such Property.

- (j) With respect to the Royalties herein granted, it is acknowledged, agreed and declared that:
- (i) the Royalty herein made relates to and constitutes a vested interest in the land and is binding upon the title to the Property;
  - (ii) the covenants herein contained shall run with the land; and
  - (iii) the Owner may sell, transfer or otherwise dispose of all or any portion of its interest in and to the Property and this Royalty Agreement only in accordance with the provisions of Subsection 3.7(n) below.
- (k) The Owner covenants and agrees to execute and deliver such documents as may be necessary:
- (i) to permit the Royalty Holder to record the Royalty against title to the Property; and
  - (ii) to permit the Royalty Holder to secure the obligations of the Owner described in this Royalty Agreement including, the payment of the Royalty, by registering against the title to the Property such documents, including, but not limited to, a mortgage, charge, pledge, lien or other security interest.
- (l) This Royalty Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors, transferees and assigns and the heirs, executors, administrators, personal and legal representatives, successors and assigns of the Royalty Holder.
- (m) The Royalty Holder is entitled to assign its interest in the Royalty, provided it gives a five (5) days advanced written notice to the Owner. Upon receiving such notice, the Owner agrees to make all future Royalty payments to the appropriate assignee.
- (n) The Owner may at any time sell, transfer or otherwise dispose of all or any portion of its interest in and to the Property and this Royalty Agreement provided that any purchaser, grantee or transferee of any such interest will have first delivered to the Royalty Holder its agreement related to this Royalty Agreement and to the Property, containing:
- (i) a covenant by such purchaser, grantee, or transferee to perform all of the obligations of the Owner to be performed under this Royalty Agreement in respect of the interest to be acquired by it from the Owner to the same extent as if this Royalty Agreement had been originally executed by the Owner and such transferee as several (but not joint) obligors; and
  - (ii) a provision subjecting any further sale, transfer or other disposition of such interest in the Property and if applicable, the Area of Influence, and this Royalty Agreement or any portion thereof to the obligations contained in this Royalty Agreement.

No assignment by the Owner of any interest less than its entire interest in this Royalty Agreement and in the Property will, as between the Owner and the Royalty Holder, discharge it from any of its obligations hereunder, but upon the transfer by the Owner of its entire interest in the Property, (whether to one or more transferees and whether in one or in a number of successive transfers), the Owner will be deemed to be discharged from all obligations hereunder save and except for the payment of the Royalty or other fulfillment of contractual commitments accrued due prior to the date that the Owner ceases to have any interest in the Property.

#### **4. Abandonment**

- 4.1 If the Owner wishes to abandon, relinquish, terminate or not renew (the “**Relinquishment Event**”) all or any portion of the Property (the “**Released Property**”), then the Owner shall provide the Royalty Holder with a minimum of 30 days prior written notice of such intended Relinquishment Event.
- 4.2 Upon receipt of the said notice, the Royalty Holder shall have a period of 10 days within which to advise the Owner in writing that it desires to acquire the Released Property for nominal consideration. If the Royalty Holder shall forward such written notice to the Owner within the said 10 day period, the Owner shall thereafter do all such acts and things or shall cause all such acts and things to be done, at the Owner’s own sole cost and expense, to assign or convey, as appropriate, the Released Property to the Royalty Holder for nominal consideration and to have the Released Property recorded or registered into the name of the Royalty Holder.
- 4.3 If the Royalty Holder does not forward written notice to the Owner within the 10 day period, then the Owner shall have the right to complete the Relinquishment Event with respect to the applicable Released Property.
- 4.4 If a Relinquishment Event is completed and thereafter, the Owner, its successors and/or assigns, or any of their associated or affiliated corporations, partnerships or business entities of whatsoever nature or kind, their successors and permitted assigns, subsequently reacquire a direct or indirect beneficial interest in the Released Property within five (5) years, then such Released Property will once again be subject to the obligation to pay the Royalty with respect thereto.

#### **5. General**

- 5.1 Each of the parties hereto agrees that it will execute all documents and do all acts and things within its power to carry out and implement the provisions and intent of this Royalty Agreement.
- 5.2 This Royalty Agreement constitutes the entire agreement between the parties relating to the Royalty, and there are no verbal statements, representations, warranties, undertakings or agreements between the parties relating to the Royalty except those that are herein contained.

- 5.3 The schedules attached to and incorporated in this Royalty Agreement by reference are deemed to be a part hereof.
- 5.4 Each notice, demand or other communication required or permitted to be given under this Royalty Agreement shall be in writing and shall be delivered by mail (by first class postage prepaid), sent by facsimile transfer or by electronic mail, or some other similar form of telecommunication addressed as follows:

If to the Owner:

Olivut Resources Ltd.,  
PO Box 6690  
Hinton, Alberta, Canada  
T7V 1X8

Attention: Leni F. Keough  
President and CEO  
Fax Number: (780) 866-3713  
Email: [leni@olivut.com](mailto:leni@olivut.com)

If to the Royalty Holder:

Talmora Diamond Inc.  
6 Willowood Court,  
North York, ON M2J 2M3

Attention: Ray Davies  
President and CEO  
Fax Number: (416) 499-5187  
Email: [rayal.davies@sympatico.ca](mailto:rayal.davies@sympatico.ca)

The date of receipt of such notice, demand or other communication shall be five business days after being deposited in the post if delivered by mail and, if given by facsimile transfer, electronic mail or some other form of electronic communication, shall be deemed to have been given and received on the next business day following the day on which it was sent, unless it can be shown that such notice was not actually received by the addressee.

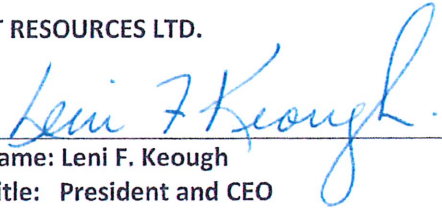
- 5.5 This Royalty Agreement may be executed in any number of counterparts. An executed counterpart may be delivered by electronic communication or facsimile transmission with the same force and effect as if it were a manually executed and delivered counterpart. In such event, the sending party shall also forthwith deliver to the other party a manually executed counterpart of this Royalty Agreement.



IN WITNESS WHEREOF this Royalty Agreement has been executed as of the date first above.

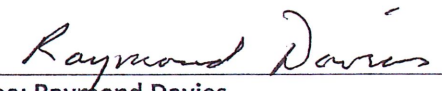
OLIVUT RESOURCES LTD.

By:

  
Name: Leni F. Keough  
Title: President and CEO

TALMORA DIAMOND INC.

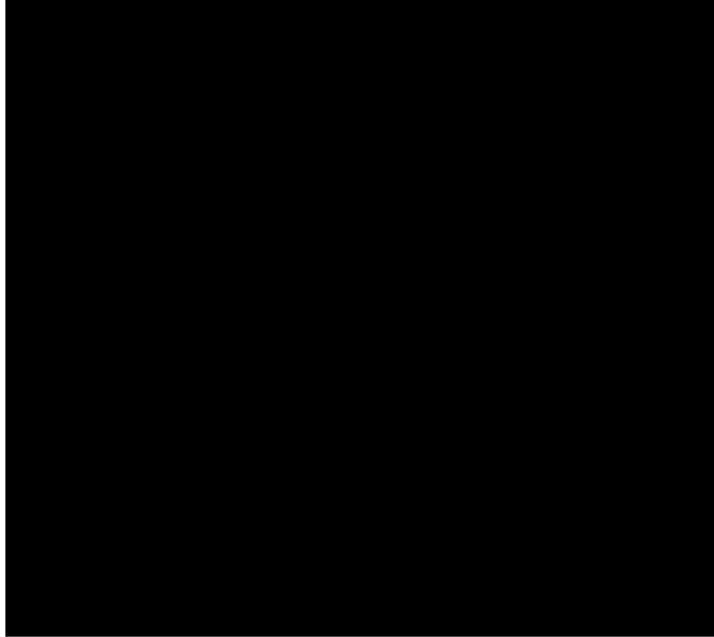
By:

  
Name: Raymond Davies  
Title: President and CEO

## SCHEDULE 1

### CO-ORDINATES FOR THE SEAHORSE ROYALTY

The Seahorse Royalty Agreement Area is defined by drawing a line between the points identified by the following co-ordinates:



## SCHEDULE "D"

### FORM OF JOINT VENTURE COMPANY SHAREHOLDERS AGREEMENT

THIS SHAREHOLDERS AGREEMENT is made as of ●:

BETWEEN:

**TALMORA DIAMOND INC.,**  
a corporation existing under the laws of the Province of Ontario  
("TALMORA")

AND:

**OLIVUT RESOURCES LTD.,**  
a corporation existing under the laws of the Province of Ontario  
("OLIVUT")

WHEREAS:

- (a) OLIVUT has vested pursuant to the terms and conditions of the Option Agreement (as hereinafter defined);
- (b) The JV Company has been formed and the Properties have been transferred into the JV Company pursuant to the terms and conditions of the Option Agreement;
- (c) TALMORA is the owner of a 1% Net Smelter Return Royalty / Net Sales Return Royalty as described in Schedule C of Option Agreement (the "**Seahorse Royalty**"), and
- (d) the Parties hereto agree that the provisions of this Agreement shall govern the rights and obligations of the Parties to pursue the Corporate Objectives of the JV Company and to conduct the Mining Operations on the Properties.

NOW THEREFORE, the parties agree as follows:

#### **ARTICLE 1** **DEFINITIONS AND INTERPRETATION**

##### **1.1 Definitions and Interpretations**

Capitalized terms used herein but not defined in this Agreement shall have the meanings given to them in Schedule 1 of this Agreement or in the Option Agreement.

**ARTICLE 2**  
**JOINT VENTURE COMPANY**

**2.1 General Principles**

- (a) The JV Company will pursue the Corporate Objectives and will proceed as expeditiously as is commercially reasonable and practicable, to develop and operate the Horton Project.
- (b) The business of the JV Company will be conducted in the best interests of the JV Company on sound commercial principles and in accordance with the guidelines, principles and standards agreed and adopted by the Board (and, if applicable, approved by the Shareholders in accordance with Section 3.3) from time to time, so as to have the JV Company maximize shareholder value.
- (c) The business of the JV Company will be conducted in compliance with all applicable laws, including, without limitation, the laws of the Northwest Territories and Canada, as the case may be, pertaining to environmental matters and health and safety matters.
- (d) The JV Company and its subsidiaries will constitute the sole and exclusive means by which the Shareholders shall accomplish the Corporate Objectives.

**2.2 Capital of the JV Company**

- (a) The authorized capital stock of the JV Company is ● each which are issued and outstanding as at the date of this Agreement and held as follows:

- (i) ● Shares are held by TALMORA; and
- (ii) ● Shares are held by OLIVUT.

As of the JV Operative Date, the initial Percentage Equity Interests of TALMORA and OLIVUT will be 50% and 50%, respectively.

- (b) The deemed initial contribution of TALMORA ("**TALMORA Deemed Initial Contribution**") shall be CDN\$1,400,000.
- (c) The deemed initial contribution of OLIVUT ("**OLIVUT Deemed Initial Contribution**") shall be CDN\$1,400,000.
- (d) A Party and any permitted assignee of its interest under the Option Agreement may, at its sole discretion, establish one or more special purpose vehicles to be the holder of the Shares entitled to such Party (or its assignee, as applicable) under Section 2.2(a) and all the rights and obligations of the Party (or its assignee, as applicable) under this Agreement shall be transferred to such special purpose vehicle; provided, however that:
  - (i) The Party (or such assignee, as applicable) shall guarantee the obligations of the transferee under this Agreement on a joint and several basis; and

- (ii) such transferee shall be a wholly-owned Subsidiary of the Party (and/or such assignee, as applicable) and if the transferee at any time ceases to be a wholly-owned Subsidiary of the Party (or such assignee, as applicable), then such Party (or such assignee, as applicable) shall cause the transferee to transfer such Shares back to the Party (or such assignee, as applicable).

### **2.3 Auditor**

The JV Company's Auditor will be determined by the JV Company.

## **ARTICLE 3 SHAREHOLDERS**

### **3.1 Compliance with Agreement**

Each Shareholder agrees to vote and act as a shareholder of the JV Company to fulfil the provisions of this Agreement and in all other respects to comply with this Agreement. Each Shareholder will use all reasonable efforts to cause the JV Company to comply with this Agreement, and to the extent permitted by law, will cause its respective nominees as Directors to cause the JV Company to act in accordance with this Agreement.

### **3.2 Covenant by TALMORA and OLIVUT**

To the extent that either of TALMORA or OLIVUT is not a Shareholder, each of TALMORA and OLIVUT covenant to take such actions within its control as may be necessary to cause any Shareholder controlled directly or indirectly by it to at all times fully and faithfully perform and discharge its obligations under this Agreement and to comply with the terms and conditions of this Agreement, including without limiting the generality of the foregoing, any obligations to make contributions pursuant to Article 7. Each of TALMORA and OLIVUT will cooperate fully and act in good faith to assist in the resolution of any disputes or disagreements that may arise, including making representatives available to meet with such persons, including Experts, as may be appropriate to resolve such disagreements or disputes. The covenants and obligations of TALMORA and OLIVUT in this Section 3.2 are absolute, unconditional, present and continuing and are in no way conditional or contingent upon any event or circumstance, action or omission which might in any way discharge a guarantor or surety.

### **3.3 Shareholder Approval**

Notwithstanding any other provisions of this Agreement, provided that a Shareholder holds at least 33 1/3% of the total outstanding Shares, no obligation of the JV Company or any Subsidiary thereof shall be entered into, no decision will be made and no action will be taken by the JV Company or any Subsidiary thereof in respect of or relating to the matters identified in Schedule 2 hereto, without the prior written consent of such Shareholder.

### **3.4 By-laws**

The Shareholders agree to amend the by-laws or other constating documents of the JV Company to be consistent with this Agreement.

### 3.5 Access

Each Party and its authorized representatives shall be entitled to enter upon the Properties in reasonable numbers and at reasonable times at their own risk and expense to inspect the work being carried out by the JV Company provided that no such activity shall interfere with any operations. A Party will indemnify against any expenses or damages that the JV Company or as applicable that the Operator may incur as a result of any injury or property damage sustained or caused by the Party or its authorized representatives during or as a result of such access.

## ARTICLE 4 BOARD OF DIRECTORS

### 4.1 Board Composition

- (a) The Board shall be comprised of four Directors. At all times a Shareholder holding more than 50% of Percentage Equity Interest shall have the right to appoint three Directors, and the other Shareholder shall have the right to appoint one Director. If the Shareholders each have a 50% Percentage Equity Interest, then each shall have the right to appoint two directors. A Shareholder holding less than 10% Percentage Equity Interest shall cease to have the right to appoint any Directors and the other Shareholder shall have the right to appoint four Directors.
- (b) Initially, the Chairman of the Board (the "Chairman") will be a nominee of Olivut and thereafter will be a nominee of the Shareholder which holds the largest number of Shares or as otherwise determined by the Board by majority vote.
- (c) Each Shareholder shall vote its Shares to elect the Directors nominated in accordance with this Section 4.1. Any Shareholder entitled to nominate and elect a Director shall be entitled to remove any such Director by notice to such Director, the other Shareholders and the JV Company and to nominate a replacement therefore. Any vacancy by reason of death, disqualification, inability to act or resignation of any Director shall also be filled only by a nominee of the Shareholder whose nominee is no longer a Director.
- (d) To the extent permitted by the Act, each Shareholder that is entitled to nominate a Director will be entitled, by notice in writing to the JV Company and the other Shareholder, to appoint a person to act as an alternate for the Director. Such alternate Director will, in the absence or unavailability of the Director for which he or she is the alternate, be entitled to attend, act and vote at Board meetings at which the Director is absent or unavailable.

### 4.2 Quorum and Voting

- (a) The quorum for meetings of the Board shall consist of a majority of the Directors, provided that at least one nominee of each of OLIVUT and TALMORA is in attendance, unless either Party holds less than 10% equity interest. A Party's right to have a nominee present for quorum shall cease at such time as the Party ceases to have the right to appoint at least one Director under Section 4.1(a). If a quorum is not obtained at any meeting of Directors, the meeting shall be adjourned and may be reconvened upon ten (10) Business Days' notice to the Directors, at which reconvened meeting the quorum

shall be those Directors in attendance. The minutes of each meeting of the Board will be forwarded to the Directors as soon as practicable after such meeting and not later than thirty (30) days after such meeting. The agenda for each meeting shall itemize the matters for consideration and no additional matters may be considered without unanimous approval at the meeting of all Directors of the JV Company.

- (b) All matters determined by the Board shall be determined by a simple majority approval of the Directors present at a properly constituted meeting of the Board. For greater certainty, the Chairman does not have a casting vote.
- (c) In addition to such responsibilities as the Board may reasonably request, the Chairman will be responsible for:
  - (i) ensuring that the reports and other information contemplated under this Agreement are delivered to the Directors in accordance with the requirements of this Agreement; and
  - (ii) facilitating communication between the Board and other members of senior management of the JV Company (including answering questions that Directors may have or directing such questions to the senior management of the JV Company to be answered in a timely fashion).

Where a dispute arises under Article 12 of this Agreement, the Chairman will use his or her reasonable best efforts to assist the Parties in resolving the dispute during the 30-day period referred to in Article 12. In this regard, the Chairman will be empowered to contact senior officers of TALMORA or OLIVUT to facilitate discussions between the Parties to resolve the dispute.

#### **4.3 Board Committees**

- (a) The Board may from time to time establish such committees as the Board deems advisable.
- (b) The mandate and functions of all Board committees shall be advisory in nature in that they will be restricted to making recommendations and reports to be acted on by the Board.
- (c) The provisions of Section 4.2 as to quorum and voting shall be applicable to any such committee.
- (d) Each Shareholder shall be entitled to representation on Board committees in the same proportion as its Board representation.

#### **4.4 Board Meeting Frequency**

- (a) The Board shall meet at least once every three months, in person or by telephone or video conference, at regularly scheduled times agreed to in advance by the Board or upon ten (10) Business Days notice in writing to the Directors and, if a meeting of the

Board is not so held, any Director may call a meeting of the Board on ten (10) Business Days' prior notice in writing to the other Directors.

- (b) Any Director may call a meeting of the Board once per calendar quarter on ten (10) Business Days' prior notice in writing to the other Directors.
- (c) Notice of Board meetings may be waived by the Directors.
- (d) Any Director may attend a meeting of the Board by telephone or video conference call and such Director is deemed to be present at such meeting.
- (e) In lieu of a Board meeting, the Board may transact any business by a written instrument signed by all Directors.
- (f) Only Directors may attend a meeting of the Board unless all Directors otherwise agree.

#### 4.5                    **Remuneration of the Directors**

The JV Company shall be responsible for reimbursing each Director for all reasonable travelling expenses incurred by such Director in order to attend Board meetings. The Shareholder nominating a Director shall pay such Director any compensation to be paid to such individual for acting as a Director of the JV Company.

#### 4.6                    **Director Access**

Each Director shall be entitled to examine the books and accounts of the JV Company and shall have free access, at all reasonable times and with reasonable prior written notice, to any and all Properties and facilities of the JV Company. The JV Company shall provide such information relating to the business affairs and financial position of the JV Company as any Director may reasonably require. Any Director may provide such information to a Shareholder.

### **ARTICLE 5 MANAGEMENT**

#### 5.1                    **Officers**

The Board shall appoint such officers with such titles and responsibilities as the Board may determine.

#### 5.2                    **Management Authority**

The operator (the "**Operator**") of the Mining Operations on the Properties will have the authority set out in Section 6.1 of this Agreement and be required to:

- (a) implement any Program and Budget under the direction of the Board;
- (b) procure from third parties all material, supplies, machinery, equipment, water, utility and transportation services required to achieve completion of the Horton Project or required for Mining Operations in accordance with any Budget; such procurements to be made on the best terms available, taking into account all of the circumstances and



obtaining such customary warranties and guarantees as are available in connection with such procurements; and

- (c) procure from third parties engineering, design, legal, accounting and other professional services required to achieve completion of the Horton Project or required for Mining Operations in accordance with any Budget; such procurement to be made on the best terms available, taking into account all of the circumstances;
- (d) pay all expenses properly incurred in accordance with any Budget or prudent commercial practice;
- (e) keep the Property and assets free of all Encumbrances (other than those permitted pursuant to this Agreement or which in the view of senior management may reasonably be required in connection with the achievement of the Corporate Objectives, including without limitation Encumbrances required in connection with any financing of the JV Company) and, in the event of any lien being filed, proceed with diligence to contest or discharge the same.

The Operator will provide the Parties with notice of any unbudgeted expenses exceeding CDN\$250,000 which will be presented to the Board for ratification at the next Board meeting.

### **5.3 Operator**

A Party holding a majority of Shares shall have a right to act as Operator. If there is no majority Shareholder, then OLIVUT shall have the right to act as Operator. To the extent that there is no Operator, the JV Company or its Subsidiaries, as applicable, shall carry out such functions directly.

### **5.4 Technology and Know-How**

Technology and know-how owned by each Shareholder shall be made available to the JV Company on reasonable commercial terms, and the JV Company shall make technology and know-how developed in connection with the Horton Project available to each Shareholder upon reasonable commercial terms, provided in each case that nothing in this Section 5.4 will require any Party to contravene the terms of any agreement with a third party to which it is party, including without limitation any confidentiality or licensing agreement.

## **ARTICLE 6 PROGRAMS AND BUDGETS**

### **6.1 Programs and Budgets**

Not less than ninety (90) days prior to the commencement of each financial year of the JV Company, the Operator shall send to the Directors a draft Program and Budget relating to the Horton Project for each material category of activity to be undertaken by the Operator in such financial year in respect of the Horton Project and its Operations. There will be a 30-day comment period on each draft Program and Budget followed by circulation of the revised draft together with a notice calling a meeting of the Board not later than thirty (30) days prior to the commencement of each financial year for consideration of such draft. At such meeting of the Board, the Board with or without revisions or adjustments, may approve any or all of the proposed Program and Budget, which must be approved by

the Shareholders, if required by Section 3.3. In the absence of such approval, the Operator will continue operations based on the most recently approved Program and Budget (and the expense items included therein) until a new Program and Budget are approved.

All proposed Programs and Budgets may include Exploration, Pre Feasibility Studies, Feasibility Studies, Development, Mining, Expansion Feasibility Studies and Expansion or Modification Operations components, or any combination thereof, and shall be reviewed and adopted upon a vote of the Board of Directors in accordance with Article 4. Each Program and Budget adopted by the Board of Directors, regardless of length, shall be reviewed at least once a year at a meeting of the Board of Directors. It is recognized that the foregoing timing may not be met if the Operator in good faith believes that time is required to process and analyze the results of the then current Program and Budget prior to establishing the subsequent Program and Budget.

## **6.2 Pre-Feasibility Study Program and Budgets**

At such time as any Party holding not less than 33 1/3% of the Shares is of the good faith and reasonable opinion that economically viable Mining Operations may be possible on any of the Properties, the Party may propose to the Board of Directors that a Pre-Feasibility Study Program and Budget, or a Program and Budget that includes Pre-Feasibility Studies, be prepared. Such proposal shall be made in writing to the other Parties, shall reference the data upon which the proposing Party bases its opinion, and shall call a meeting of the Board of Directors. If such proposal is adopted by the Board of Directors, the Operator shall prepare or have prepared a Pre-Feasibility Study Program and Budget as approved by the Board of Directors and shall submit the same to the Board of Directors as soon as reasonably practicable.

Pre-Feasibility Studies may be conducted by the Operator, Feasibility Contractors, or both, or may be conducted by the Operator and audited by Feasibility Contractors, as the Board of Directors determines. A Pre-Feasibility Study Program shall include the work necessary to prepare and complete the Pre-Feasibility Study approved in the proposal adopted by the Board of Directors, which may include some or all of the following:

- (a) analyses of various alternatives for mining, processing and beneficiation of Products;
- (b) analyses of alternative mining, milling and production rates;
- (c) analyses of alternative sites for placement of facilities (i.e., water supply facilities, transport facilities, reagent storage, offices, shops, warehouses, stock yards, explosives storage, handling facilities, housing, public facilities);
- (d) analyses of alternatives for waste treatment and handling (including a description of each alternative of the method of tailings disposal and the location of the proposed disposal site);
- (e) estimates of recoverable proven and probable reserves of Products and of related substances, in terms of technical and economic constraints (extraction and treatment of Products), including the effect of grade, losses and impurities, and the estimated mineral composition and content thereof, and review of mining rates commensurate with such reserves;

- (f) analyses of environmental impacts of the various alternatives, including an analysis of the permitting, environmental liability and other Environmental Law implications of each alternative, and costs of Environmental Compliance for each alternative;
- (g) conduct of appropriate tests to determine the efficiency of alternative extraction, recovery and processing techniques, including an estimate of water, power, and reagent consumption requirements;
- (h) conduct of hydrology and other studies related to any required dewatering; and
- (i) conduct of other studies and analyses approved by the Board of Directors.

The Operator shall have the discretion to base its and any Feasibility Contractor's Pre-Feasibility Study on the cumulative results of each discipline studied, so that if a particular portion of the work would result in the conclusion that further work based on these results would be unwarranted for a particular alternative, the Operator shall have no obligation to continue expenditures on other Pre-Feasibility Studies related solely to such alternative.

### 6.3 Pre-Feasibility and Selection of Approved Alternatives

As soon as reasonably practical following completion of the Pre-Feasibility Study or Studies required to evaluate fully the alternatives studied pursuant to the applicable Programs, the Operator shall prepare a report summarizing all Pre-Feasibility Studies and shall submit the same to the Board of Directors. Such report shall incorporate the following:

- (a) the results of the analyses of the alternatives and other matters evaluated in the conduct of the Pre-Feasibility Programs;
- (b) reasonable estimates of capital costs for the Development and start-up of the mine, mill and other processing and ancillary facilities required by the Development and Mining alternatives evaluated (based on flowsheets, piping and instrumentation diagrams, and other major engineering diagrams), which cost estimates shall include reasonable estimates of:
  - (i) capitalized pre-stripping expenditures, if an open pit or surface mine is proposed;
  - (ii) expenditures required to purchase, construct and install all machinery, equipment and other facilities and infrastructure (including contingencies) required to bring a mine into commercial production, including an analysis of costs of equipment or supply contracts in lieu of Development costs for each Development and Mining alternative evaluated;
  - (iii) expenditures required to perform all other related work required to commence commercial production of Products and, if applicable, process Products (including reasonable estimates of working capital requirements); and
  - (iv) all other direct and indirect costs and general and administrative expenses that may be required for a proper evaluation of the Development and Mining

alternatives and annual production levels evaluated. The capital cost estimates shall include a schedule of the timing of the estimated capital requirements for each alternative;

- (v) a reasonable estimate of the annual expenditures required for the first year of Operations after completion of the capital program for each Development alternative evaluated, and for subsequent years of Operations, including estimates of annual production, processing, administrative, operating and maintenance expenditures, taxes (other than income taxes), working capital requirements, royalty and purchase obligations, equipment leasing or supply contract expenditures, work commitments, Environmental Compliance costs, post-Operations Environmental Compliance and Continuing Obligations funding requirements and all other anticipated costs of such Operations. This analysis shall also include an estimate of the number of employees required to conduct such Operations for each alternative;
- (vi) a review of the nature, extent and rated capacity of the mine, machinery, equipment and other facilities preliminarily estimated to be required for the purpose of producing and marketing Products under each Development and Mining alternative analyzed;
- (vii) an analysis (and sensitivity analyses reasonably requested by any Party), based on various target rates of return and price assumptions requested by any Party, of whether it is technically, environmentally, and economically feasible to place a prospective ore body or deposit within the Properties into commercial production for each of the Development and Mining alternatives analyzed (including a discounted cash flow rate of return investment analysis for each alternative and net present value estimate using various discount rates requested by any Party); and
- (viii) such other information as the Board of Directors deems appropriate.

Within 30 days after delivery of the Pre-Feasibility Study summary to the Parties, a Board of Directors meeting shall be convened for the purposes of reviewing the Pre-Feasibility Study summary and selecting one or more Approved Alternatives, if any.

#### **6.4 Programs and Budgets for Feasibility Study**

Following the selection of an Approved Alternative, the Operator shall submit to the Board of Directors a Program and a Budget, which shall include necessary Operations, for the preparation of a Feasibility Study. A Feasibility Study may be prepared by the Feasibility Contractors or may be prepared by the Operator and audited by Feasibility Contractors, as the Board of Directors determines. The Parties will meet at reasonable intervals and times to review the status of the Feasibility Study and discuss whether the establishing and bringing of a Mine into commercial production in conformity with such Feasibility Study is feasible and desirable.

#### 6.5 **Production Notice**

The JV Company will call a Board of Directors meeting to consider a Feasibility Study prepared pursuant to this Agreement for a date no sooner than 120 days after such Feasibility Report was provided to each of the Parties. The Board of Directors will consider each Feasibility Study prepared pursuant to this Agreement and may approve any Feasibility Study, with such modifications, if any, as it considers necessary or desirable. If a Feasibility Study prepared pursuant to this Agreement is approved as aforesaid the Board of Directors will forthwith cause the JV Company to give a notice (a **"Production Notice"**) to each of the Parties stating that the Board of Directors has approved that a Mine be established and brought into production in conformity with the Feasibility Study as so approved and indicating the Development Costs estimate which the Board of Directors considers necessary to implement the Production Notice.

#### 6.6 **Development Programs and Budgets**

Unless otherwise determined by the Board of Directors, the Operator shall submit to the Board of Directors a Program and Budget including Development of a mine described in a completed Feasibility Study following the issuance of the Production Notice. The Program and Budget which includes Development of a Mine as set forth in a Feasibility Study, shall be based on the estimated cost of Development described in such Feasibility Study, unless otherwise directed by the Board of Directors.

Promptly following adoption of the Program and Budget, which includes Development as described in a Feasibility Study, but in no event more than 30 days thereafter, the Operator shall submit to the Board of Directors a report on material bids received for Development work (each a **"Bid Report"**). If bids described in the Bid Report result in the aggregate cost of Development work exceeding 25% of the Development cost estimates that formed the basis of the Development component of the adopted Program and Budget, the Program and Budget, which includes relevant Development, shall be deemed to have been resubmitted to the Board of Directors based on the aggregate costs as described in the Bid Report on the date of receipt of the Bid Report and shall be reviewed and adopted in accordance with this Article 6.

#### 6.7 **Expansion or Modification Programs and Budgets**

Any Program and Budget proposed by the Operator involving Expansion or Modification shall be based on an Expansion Feasibility Study prepared by the Operator, Feasibility Contractors, or both, or prepared by the Operator and audited by Feasibility Contractors, as the Board of Directors determines. The Program and Budget, which include an Expansion or Modification, shall be submitted for review and approval by the Board of Directors within 30 days following receipt by the Operator of such Expansion Feasibility Study.

#### 6.8 **Budget Overruns; Program Changes**

The Operator shall immediately notify the Board of Directors of any material departure from an adopted Program and Budget.

## 6.9 Emergency or Unexpected Expenditures

In case of emergency, the Operator may take any reasonable action it deems necessary to protect life or property, to protect the assets of the JV Company or to comply with applicable laws. The Operator may make reasonable expenditures on behalf of the Parties for unexpected events that are beyond its reasonable control and that do not result from a breach by it of its standard of care. The Operator shall promptly notify the Parties of the emergency or unexpected expenditure, and the Operator shall be reimbursed for all resulting costs by the Parties in proportion to their respective Percentage Equity Interest.

## 6.10 Maintenance Plan

The Operator may, at any time, on at least 30 days notice to all Parties, recommend that the Board of Directors approve the suspension of Operations. In considering whether to make such a recommendation, the Operator will take into account good and reasonable mining, environmental and commercial reasons for making the recommendations but will not make a recommendation on the basis of matters particular to the party acting as Operator. The Operator's recommendation will include a Program and Budget (the "**Maintenance Plan**"), in reasonable detail, of the activities to be performed to maintain the assets of the JV Company during the period of suspension and the expenditures to be incurred. The Board of Directors may:

- (a) if the Maintenance Plan provides for a suspension of 180 days or less, then by simple majority; or
- (b) if the Maintenance Plan provides for a suspension of more than 180 days, then by unanimous approval,

approve the Maintenance Plan with such changes as the Board of Directors deems necessary. If the Board of Directors approves the Maintenance Plan, with or without modifications, then the Parties will be committed to pay their proportionate share of expenditures incurred in connection with the Maintenance Plan based on their then Percentage Equity Interest. The Operator will call a meeting of the Board of Directors upon the reasons for the suspension of Operations ceasing to have effect and, in any event, within 90 days of approval of the Maintenance Plan. The Board of Directors may cause Operations to be resumed at any time (for greater certainty, by unanimous approval if the suspension has lasted for more than 180 days) and will take all reasonable steps to cause Operations to be resumed upon the reasons for the suspension of Operations ceasing to have effect.

## 6.11 Mine Closure Plan

The Operator may, at any time following a period of at least 180 days during which Operations have been suspended, upon at least 30 days notice to all Parties, recommend that the Board of Directors approve the permanent termination of Operations. The Operator's recommendation will include a Program and Budget (the "**Mine Closure Plan**"), in reasonable detail, of the activities to be performed to cease Operations and reclaim the Properties and the estimated expenditures to implement the Mine Closure Plan. Such Mine Closure Plan may be compiled and updated by the Operator at any time during the Joint Venture as may be required by any Governmental Authority. Each Party shall deliver directly to the Governmental Authority having jurisdiction, in accordance with their respective Percentage Equity Interests, any financial assurance required in support of the Mine Closure Plan. The

Board of Directors may approve the Operator for the permanent termination of operations by unanimous approval with such changes to the Mine Closure Plan as the Board of Directors deems necessary.

#### **6.12 Implementation of Mine Closure Plan**

If the Board of Directors unanimously approves the Mine Closure Plan, then the Operator will:

- (a) implement the Mine Closure Plan, whereupon the Parties will be committed to pay their proportionate share of the expenditures required to implement that Mine Closure Plan based on their then Percentage Equity Interests; and
- (b) remove, sell and dispose of such Assets as may reasonably be removed and disposed of profitably and such other assets as the JV Company may be required to remove pursuant to Environmental Laws and applicable mining laws.

#### **6.13 Non-Approval of Mine Closure Plan**

If the Board of Directors does not approve the Mine Closure Plan, then the Operator will, unless obliged to implement the Mine Closure Plan by order or direction of applicable government authorities, maintain Operations in accordance with the Maintenance Plan as approved pursuant to Section 6.10. If the Operations have been suspended for a period of one year or more and the Board of Directors does not approve a Mine Closure Plan, either Party may refer the matter to arbitration in accordance with Article 12.

#### **6.14 Escrow Fund**

The Operator will include in each Mining Program and Budget the establishment of a trust or escrow fund providing for the reasonably estimated costs of satisfying Continuing Obligations that may remain after the permanent termination of Mining Operations, in excess of amounts actually expended. The payment of such Continuing Obligations will be made on the basis of units of production, and will be in amounts reasonably estimated to provide over the lifetime of proven and probable reserves funds adequate to pay for such reclamation and long term care and monitoring. The Parties will contribute to the trust or escrow fund cash (or provide letters of credit or other forms of security readily convertible to cash in form approved by the Board of Directors). The amount contributed from time to time for the satisfaction of such Continuing Obligations will be classified as costs funded pursuant to a Program and Budget hereunder but will be segregated into a separate account.

#### **6.15 Financial and Management Reporting**

The financial and management reporting requirements of the JV Company as well as its control procedures and hedging and risk management policies shall be agreed by the Board. All material accounting policies of the JV Company shall also be determined by the Board (or the audit committee of the Board, if applicable). Such reporting requirements, control procedures and hedging and risk management policies shall also be approved by Shareholders to the extent required under Section 3.3. The policies shall require in any event that the JV Company will forward to the Shareholders:

- (a) copies of the monthly financial statements and monthly reports provided to the Financial Institutions providing Project Debt Financing to the JV Company, if any, which shall be provided to the Shareholders concurrently with the provision of such statements and reports to such Financial Institutions;
- (b) within forty-five (45) days of the end of each calendar quarter, quarterly management accounts in a form which shall include:
  - (i) a balance sheet, profit and loss account and cash flow statement for the quarter and year to date which will show the financial position of the JV Company and provide a comparison between budgeted and actual figures for the Horton Project, together with an explanation of any significant variances between such figures, and a report on the JV Company's performance; and
  - (ii) a quarterly cash flow projection, including a forecast of required Shareholder contributions for the next 12 months; and
  - (iii) within ninety (90) days following the end of each financial year, the audited accounts of the JV Company.

The Operator will forward to the Shareholders such additional financial information as any Shareholder may reasonably request from time to time, for example, to explain any variances between the budgeted and actual figures of the JV Company for any period. In addition, the Operator will provide such other non-financial information regarding the Horton Project and its operation as a Shareholder may reasonably request.

#### **6.16 Year End**

Unless and until altered in accordance with the terms of this Agreement, the JV Company's financial year end shall be December 31 in each year.

#### **6.17 Hedging and Risk Management**

The JV Company shall at all times have and comply with a hedging and risk management policy approved in accordance with Section 3.3. The hedging and risk management policy will address, among other things, commodity, interest rate and currency hedges.

#### **6.18 Marketing Arrangement**

Marketing of the Products of the JV Company to customers shall be made directly by the JV Company, or by a Subsidiary of the JV Company or other entity owned by the Shareholders on the same equity basis as the JV Company, under a sales agency agreement.

#### **6.19 Audit of JV Company**

Without limitation of the foregoing, any Party shall be entitled to obtain from the JV Company and the Auditor, and the Operator and the Auditor shall make available without cost to such Party, all such financial and other information as such Party may require for purposes of reporting to its shareholders



and complying with the disclosure requirements of public authorities in connection with ongoing disclosure requirements and those related to public issues of securities.

#### 6.20 **NI 43-101 Data**

The Operator will make available to the Parties all such material and data including interpretive data generated from activities on the Properties as may be required by a "Qualified Person" (as defined in National Instrument 43-101) for the purpose of preparing any reports as may be required by a Party for disclosure purposes. No Party will be obligated to disclose proprietary information or techniques. For certainty, nothing in this Agreement will obligate any Party to (i) prepare, or assist any other Party in the preparation of, any technical report or reports relating to the Properties that such other Party might be required to prepare and file with any Canadian regulatory authority at any time pursuant to National Instrument 43-101; or (ii) provide the services of, or assist such other Party in procuring the services of, a "Qualified Person" (as that term is defined in National Instrument 43-101) to produce, or to oversee the production of, any such technical report or reports.

### **ARTICLE 7 CONTRIBUTIONS**

#### 7.1 **Additional Funding**

The Shareholders shall be under the obligation, when required to do so in accordance with the then current Budget, to make contributions as specified therein by way of either shareholder loans, or subscriptions for additional Shares, in either case in proportion to their then respective Percentage Equity Interest. The Budget shall establish whether each such contribution is to be made by way of loan or subscription for additional Shares, and the JV Company shall determine when the Shareholders are required to make their respective contributions (by quarter) in the manner established in the Budget.

#### 7.2 **Funding Notice**

The JV Company will provide the Shareholders with notice of contributions required to be made in accordance with Section 7.1 by sending a notice to each Shareholder (a "**Funding Notice**") setting out:

- (a) the amount of the contribution (which, for all Shareholders taken together, shall not be more than 30% of the annual budget at any one time);
- (b) the date on which such contribution is to be paid, which must not be less than thirty (30) calendar days after the Funding Notice; and
- (c) the sections of the Budget in respect of which the notice is being given.

A Funding Notice must indicate whether contributions are to be made by loan or by subscription for additional Shares as provided in the applicable Budget.

#### 7.3 **Remedies on Failure to Make Loan and Subscription Contributions**

If a Shareholder (the "**defaulting Shareholder**") fails to make a contribution required to be made by way of Shareholders loan or subscription for additional Shares in accordance with Section 7.2, the JV

Company shall forthwith give written notice to the defaulting Shareholder and to the other Shareholder specifying the amount of the required contribution that the defaulting Shareholder has failed to pay. If the defaulting Shareholder fails to make the required contribution within forty-five (45) days of such notice, then in addition to any other rights and remedies the JV Company may have to enforce the obligation to make the required contribution, the other Shareholder (the “**non-defaulting Shareholder**”) shall have the following rights, to be exercised within sixty (60) days:

- (a) The non-defaulting Shareholder will be entitled (but not obligated) to loan funds to the JV Company on behalf of the defaulting Shareholder. The amount so loaned shall be considered a loan by the non-defaulting Shareholder to the defaulting Shareholder (a “**Contribution Loan**”). Each Contribution Loan shall be repayable by the defaulting Shareholder upon demand and, until repaid, the amount outstanding from time to time shall bear interest at a rate per annum equal to 5% per annum above LIBOR, compounded monthly, payable at the same time as the payment of principal.
- (b) If the contribution in respect of which a default has occurred is required to be made by a loan, the non-defaulting Shareholder will be entitled (but not obligated) to loan funds to the JV Company on its own behalf on the same terms that such funds would have been loaned by the defaulting Shareholder. These funds will be repaid from funds available for distribution to the defaulting Shareholder or which otherwise have been available to repay loans made by the defaulting Shareholder in priority to the defaulting Shareholder’s right to receive such funds.
- (c) If the contribution in respect of which a default has occurred is required to be made by a subscription for Shares, the non-defaulting Shareholder will be entitled (but not obligated) to take up the contribution by subscribing for Shares. The number of Shares to be issued to the non-defaulting Shareholder on such subscription will be such that the respective Percentage Equity Interests of the non-defaulting Shareholder and defaulting Shareholder held after such subscription is as provided under the formula in Section 7.3(e).
- (d) The non-defaulting Shareholder may at any time elect to convert all or any loans which it has made to the JV Company pursuant to this Section 7.3 into additional Shares. The number of Shares to be issued to the non-defaulting Shareholder on such conversion will be such that the respective Percentage Equity Interests of the non-defaulting Shareholder and defaulting Shareholder held after such conversion is as provided under the formula in Section 7.3(e). Such election will be communicated by the delivery of written notice in the manner contemplated by Section 13.8 to the JV Company and the defaulting Shareholder.
- (e) The formula for determining the number of Shares to issue to the non-defaulting Shareholder on subscription under Section 7.3(c) or conversion under Section 7.3(d) will be such that the Percentage Equity Interests of the non-defaulting Shareholder and defaulting Shareholder held after such subscription or conversion is as provided under the following formula:

$$\text{non-defaulting Shareholder's Percentage Equity Interest} = \frac{A + B + E}{C + D + E} \times 100\%$$

$$\text{defaulting Shareholder's Percentage Equity Interest} = \frac{A + B}{C + D + E} \times 100\%$$

- A = agreed value of the TALMORA Deemed Initial Contribution or OLIVUT Deemed Initial Contribution, as applicable, under Section 2.2
- B = aggregate value of the Shareholder's additional actual Equity Contributions after the JV Operative Date
- C = aggregate value of both TALMORA Deemed Initial Contribution and OLIVUT Deemed Initial Contribution under Section 2.2
- D = aggregate value of both Shareholder's actual Equity Contributions after the JV Operative Date
- E = the aggregate amount of all such subscription funds, and all such loaned funds made and converted, under this Section 7.3

#### 7.4 Funding Structure

The Parties will cooperate to make the funding structure as may be reasonably required to accommodate relevant accounting, tax planning and operational considerations with respect to the Horton Project.

### ARTICLE 8 PROJECT FINANCE

#### 8.1 Project Debt Financing

As determined by the Board Directors, capital expenditures relating to production at the Horton Project, together with working capital requirements shall be financed either through debt or equity, and if available, through project finance, non-recourse basis with one or more Financial Institutions in accordance with the Development Plan (the "**Project Debt Financing**"). It is understood and agreed that:

- (a) the Project Debt Financing will occur through the JV Company and the Project Financing shall be settled with the JV Company only and not by the Parties; and
- (b) no Party shall take any action or refrain from taking any action that is reasonably likely to be inconsistent with this Section 8.1 or reasonably likely to materially hinder the ability of the JV Company to obtain the Project Debt Financing.

Nothing in this Section 8.1(b) shall prevent any Party from exercising its rights under Section 3.3.

## 8.2 Management to Negotiate

The Operator or its nominee shall negotiate all Project Debt Financing proposals consistent with the terms and conditions specified above in consultation as appropriate with the Board. The final terms of such Project Debt Financing shall be subject to approval by the Board, provided the terms and conditions are consistent with the terms and conditions specified above.

## ARTICLE 9 DISPOSITIONS AND ACQUISITION OF SHARES

### 9.1 Share Transfer Restriction

Except as expressly provided in this Agreement, or as may otherwise be unanimously agreed, and except as may be required to obtain Project Debt Financing, no Party shall, directly or indirectly, Transfer, any Shares or shareholder loans held by it, to any Person at any time, without first complying with Sections 9.2.

### 9.2 Right of First Refusal for Purchase of Shares

- (a) If any Shareholder (the “**Offeree**”) receives from a third party (the “**Third Party**”), acting as principal and dealing at arm’s length with the Offeree, a bona fide written offer (a “**Third Party Offer**”), to purchase for cash all or any part of the Shares held by such Offeree (the “**Offeree’s Shares**”), provided that the Third Party Offer must be for Shares representing not less than 100% of the Offeree’s Shares, which Third Party Offer the Offeree has accepted (subject to compliance with the provisions of this Section), the Offeree shall deliver a notice in writing (the “**Notice of Sale**”) to the other shareholder(s) (each an “**Other Shareholder**”) offering to sell to such Other Shareholders the Offeree’s Shares at the same price and in all other respects on the same terms and conditions as provided in the Third Party Offer. The Offeree shall deliver with the Notice of Sale, a true copy of the Third Party Offer and if the Third Party is a corporation, the names of the principal shareholders (if available), officers and directors of the Third Party and any information with respect to the financial capacity of the Third Party in the possession of the Offeree. The offer contained in the Notice of Sale shall be irrevocable except with the consent of the Other Shareholders and shall be open for acceptance for a period of forty (40) Business Days after the date upon which the Notice of Sale was received by the Other Shareholders (the “**Acceptance Period**”).
- (b) Upon the Notice of Sale being given, the Other Shareholders shall have the right to purchase all, but not less than all, of the Offeree’s Shares during the Acceptance Period in accordance with such Notice of Sale. If an Other Shareholder is willing to purchase all of the Offeror’s Shares, the transaction of purchase and sale shall be completed within forty (40) Business Days after the Other Shareholder has indicated that it wishes to exercise such right, subject to extension to the extent necessary to obtain required regulatory approvals. In the event that there is more than one Other Shareholder who wishes to purchase all but not less than all of the Offeree’s Shares, the Offeree’s Shares shall be deemed to have been offered and such offer accepted on a pro rata basis as between such Other Shareholders in accordance with their respective interests in the JV Company.

- (c) If no Other Shareholder accepts the offer contained in the Notice of Sale prior to the expiry of the Acceptance Period, the Offeree may sell the Offeree's Shares to the Third Party at the price and upon the terms and conditions specified in the Third Party Offer within ninety (90) days after the expiry of the Acceptance Period subject to extension for up to thirty (30) days to the extent necessary to obtain required regulatory approvals, provided that prior to or concurrent with such sale:
  - (i) the Other Shareholders consent to the Third Party becoming a Shareholder, such consent not to be unreasonably withheld; and
  - (ii) the Third Party agrees to be bound by the terms of this Agreement (including the Seahorse Royalty) and enters into an agreement with the other Parties and the JV Company agreeing to be bound by the terms of this Agreement (including the Seahorse Royalty) as a party thereto, in form and on terms satisfactory to the other Parties, acting reasonably.

### 9.3 Less than 10% Ownership

If at any time any Shareholder (a "**Minor Shareholder**") beneficially owns in the aggregate, directly or indirectly, less than 10% of the outstanding Shares, the other Shareholder may require by, 30 days written notice, acquisition of the Minor Shareholder's Shares for CDN\$100 and the Minor Shareholder will retain a 2% Net Smelter Return/Net Sales Return Royalty in the Properties. For clarity, if TALMORA is the Minor Shareholder, the Seahorse Royalty will be increased to a 2% Net Smelter Return/Net Sales Return Royalty and will be expanded to include the remainder of the Properties.

### 9.4 Distribution

The JV Company shall distribute to the Shareholders in the form of dividends in each year, as and when declared by the JV Company out of moneys of the JV Company properly applicable to the payment of dividends, or in such kind and amounts as the JV Company may determine, such dividends as the JV Company may declare, taking into account the JV Company's net income for the immediately preceding financial year. Such distributions shall be subject to any obligations the JV Company may have pursuant to the terms of applicable lending agreements to first apply funds available to it to other payments.

### 9.5 Change of Control

Notwithstanding anything else in this Article 9, nothing in this Agreement shall prevent or restrict a Change of Control in TALMORA or OLIVUT, excluding Change of Control of any Subsidiary holding any of the Mineral Rights, or prevent TALMORA or OLIVUT from issuing securities and there will be no consequence to TALMORA or OLIVUT if it issues securities or undergoes a Change of Control.

## ARTICLE 10 AREA OF MUTUAL INTEREST

### 10.1 New Properties

- (i) If any Party or any Affiliate of a Party (herein called an "**Acquiring Party**") shall stake or otherwise acquire or propose to acquire any right to explore or mine or

both or an interest in any such rights, direct or indirect, whether by contract, staking or otherwise any part of which is within the Area of Mutual Interest (as defined in Section 12.1 of the Option Agreement), including Other Rights (herein called an “**Additional Right**”), such Additional Right shall be subject to the terms of this Agreement.

- (ii) The Acquiring Party shall give notice (the “**Notice**”) to the other Party (the “**Notified Party**”), such Notice shall specify the nature and location of the Additional Right, the acquisition costs and other terms upon which such acquisition is proposed to be made or was made and any other information which the Acquiring Party has which may be reasonably expected to be pertinent to the Notified Party in determining whether it wishes to acquire an interest in such Additional Right. Such Notice shall be delivered no later than five (5) Business Days after the acquisition.
- (iii) If the Notified Party elects by written notice (the “**Election Notice**”) to the Acquiring Party (notice to an Affiliate of a Party may be given to the Party affiliated) given within thirty (30) days of the receipt of the Acquiring Party’s Notice and complies with this clause, such Additional Right shall be considered part of the Mineral Rights subject to this Agreement and JV Company shall fund the acquisition costs of such Additional Rights and acquire ownership of such Additional Rights. The Acquiring Party shall execute such instrument(s) as are necessary to convey title to the Additional Right to the JV Company in accordance with the terms of this Agreement. If the Notified Party does not elect to acquire an Additional Right subject to this Agreement as herein provided, then all costs incurred by the Acquiring Party shall be for its own account and such Additional Right shall be held by the Acquiring Party free and clear of any further obligations to the Notified Party under the provisions of this Agreement.
- (iv) For purposes of this Section 10.1 “**acquisition costs**” means the consideration paid or to be paid by the Acquiring Party including, without restriction, purchase price, registration fees, legal costs and other out-of-pocket costs, but does not include an allocation of the overhead of the Acquiring Party. If any acquisition costs are not expressed in money, such acquisition costs shall be for purposes of this definition, the value of such costs in money calculated on the basis that the Acquiring Party shall make no profit or loss therefrom.
- (v) Except as expressly provided in this Agreement, each Party shall also have the right independently to engage in and receive full benefits from business activities, whether or not competitive with the Mining Operations, without consulting the other. The doctrines of “**corporate opportunity**” or “**business opportunity**” shall not be applied to any other activity, association, or operation of either Party outside the Area of Mutual Interest. Unless otherwise agreed in writing, no Party shall have any obligation to mill, beneficiate or otherwise treat any Products or any other Party’s share of Products in any facility owned or controlled by such Party.

- (vi) The provisions of this Section 10.1 shall not be circumvented by a Party through indirect means or arrangements, such as acquisitions through an associated entity or by an entity under common management or under a side deal arrangement. However, rights to explore or mine that are acquired directly or indirectly in the Area of Mutual Interest as an incidental aspect of a larger asset purchase, merger or similar business transaction in which the preponderance of assets involved in the transaction are outside the Area of Mutual Interest, shall not be considered Additional Rights subject to this Section 10.1.

#### 10.2 **TALMORA Properties – JV Company Right of First Refusal**

- (i) So long as TALMORA is a Party to the JV Company holding greater than 10% of the outstanding Shares, TALMORA grants the JV Company a Right of First Refusal for thirty (30) days following the date of any offer received from a bona fide, arm's length third party for Mineral Interests owned 100% by TALMORA as defined in Schedule A of the Option Agreement, provided the JV Company offers TALMORA a nominal premium over an unrelated third-party offer or as otherwise mutually agreed.

### **ARTICLE 11 CONFIDENTIALITY**

#### 11.1 **Information Property of JV Company; Confidential**

The terms and conditions of this Agreement and all plans, budgets, models, data, reports and other information of any kind relating to or arising from the conduct of operations at the Horton Project, including all information obtained by a Party in respect of the business and affairs of the JV Company, will be the exclusive property of the JV Company and will be treated as confidential by the Parties and not disclosed to any third party or to the public without the prior written consent of the other Parties, which consent will be not be unreasonably withheld.

#### 11.2 **Other Confidential Information**

Each of the Parties further agrees that any information which it receives about the business, operations, assets, liabilities, plans, prospects and affairs of any other Party as a result of the transactions contemplated by this Agreement and the related agreements contemplated hereby ("**Other Confidential Information**") will be treated as confidential and will not be disclosed to any third party or to the public without the prior written consent of the Party or Parties to whom such information belongs, which consent will be not be unreasonably withheld.

#### 11.3 **Public Announcements**

A Party shall be permitted to make such disclosure regarding this Agreement, the Properties, the Horton Project, or any Other Confidential Information as may be required by law or by the rules and regulations of any securities commission, stock exchange or other regulatory authority having jurisdiction over a Party, provided that such Party proposing to make any disclosure concerning such matters shall first advise the other Parties as to the content of the proposed disclosure.

#### 11.4 Exceptions

The restrictions of Section 11.1 on disclosure of information will not apply to disclosure by a Party or its representatives:

- (i) to an Affiliate, employee, contractor, subcontractor, consultant or professional that has a bona fide need to be informed;
- (ii) to a third party:
  - (A) for the purposes of, directly or indirectly, effecting a transfer of the disclosing Party's Shares, debt of the JV Company owing to it and rights under this Agreement;
  - (B) for purposes relating to the issuance of securities of the disclosing Party to the public; or
  - (C) for purposes of arranging financing in connection with its obligations under this Agreement or other financing with a Financial Institution;

provided that such third party in the case of Sections 11.4(ii)(A) and 11.4(ii)(C) gives its undertaking to the Parties in form satisfactory to the other Parties, acting reasonably, that such information will be kept confidential and not disclosed to others; or

- (iii) of information which is or becomes part of the public domain, other than through a breach of the provisions of this Agreement by another Party.

#### 11.5 Limitation

No Party will be liable to any other Party for the fraudulent or negligent disclosure of information by any of its directors, officers, employees or agents, provided that such Party has taken all reasonable steps to ensure the preservation of the confidential nature of such information.

#### 11.6 Duration of Confidentiality

The provisions of this Article 11 will apply during the term of this Agreement and for two years following termination of this Agreement.

### ARTICLE 12 DISPUTE RESOLUTION

#### 12.1 Dispute

Where a dispute (excluding, for greater certainty, any dispute or disagreement concerning whether or not to approve any matter to be approved by the Shareholders pursuant to Section 3.3) (a “**Dispute**”) arises out of or in connection with this Agreement or the rights and obligations of the Parties arising under this Agreement, the Party alleging the Dispute may initiate the following dispute resolution procedure by furnishing the other Parties with a written notice setting out the nature of the matter or



matters in dispute and the remedy requested. If within thirty (30) days, the Parties are unable to resolve the Dispute, a Party may serve on the other Parties a written notice of demand for resolution of the Dispute. If the Dispute is of a financial, technical, geological, metallurgical, engineering or environmental nature, including without limitation a dispute over a proposed work program, then before being referred to arbitration, the Dispute shall be referred to a suitably qualified expert (an “Expert”) to be selected by the Parties, acting reasonably and having regard to the nature of the Dispute.

If the Dispute is not resolved with the assistance of the Expert, and in all other cases, the Dispute shall be referred to arbitration in accordance as follows:

- (i) Either Party may, at any time, refer a Dispute to arbitration for resolution, which arbitration shall be conducted pursuant to the laws of the Province of Ontario and the *International Commercial Arbitration Act* (Ontario) provided that, in the case of any issue relating to mining law applicable to the Property, the relevant laws of Canada shall be applied as necessary in the arbitration. Each Party shall be entitled to appoint a single arbitrator and the two arbitrators so appointed shall appoint a third arbitrator, who will be the chair. The arbitrators selected to act shall be qualified by education or experience to decide matters relating to the Dispute. The arbitrators shall render their decision within sixty (60) days after the appointment of the third arbitrator. All decisions and awards of the arbitrators shall be made by majority vote. If within such 90-day period a decision is not rendered by the arbitrators, either Party may serve notice on the other Party, requiring that new arbitrators be appointed in accordance with the procedure set out herein and the procedure set out herein shall be repeated until a decision is reached. If a Party fails to appoint an arbitrator within the specified time period, a single arbitrator appointed by the other Party shall be authorized to hear and decide the matters referred to arbitration. The decision of the arbitrators shall be final and binding on the Parties and there shall be no right of appeal therefrom.
- (ii) Unless otherwise expressly agreed in writing by the Parties:
  - (A) the arbitration proceedings shall be held in Toronto, Ontario;
  - (B) the arbitration proceedings shall be conducted in the English language and the arbitrators shall be fluent in the English language;
  - (C) the arbitrators shall be and remain at all times wholly independent and impartial;
  - (D) the costs of the arbitration proceedings (including legal fees and costs) shall be borne in the manner determined by the arbitrators;
  - (E) the decision of the arbitrators shall be reduced to writing;
  - (F) judgment upon the arbitral award may be entered in any court having jurisdiction over the person or the assets of the Party owing the

judgment and application may be made to such court for a judicial acceptance of the award and an order of enforcement;

- (G) the arbitration shall proceed in the absence of a Party which, after due notice, fails to answer or appear; and
  - (H) if an arbitrator should die, withdraw or otherwise become incapable of serving, or refuse to serve, a successor arbitrator shall be selected and appointed in the same manner as the original arbitrator and the arbitration, or so much thereof that needs to be, shall be reheard by the arbitrators.
- (iii) The Parties shall use all reasonable efforts to provide that any arbitrator appointed pursuant to this Article 12 shall keep confidential all information received in connection with the arbitration except for disclosure to such Parties pursuant to the arbitration or to such court as may have jurisdiction to enforce the arbitral award.
  - (iv) Arbitration shall be the exclusive means of resolving Disputes. The results of an arbitration shall be binding on the Parties and may not be appealed.

## 12.2 Expert

Where a Dispute is referred to an Expert:

- (i) the Expert shall be appointed within fifteen (15) days of the expiry of the thirty (30) day time period referred to in Section 12.1 and shall make its determination within thirty (30) days of its having been appointed. In the event that the Parties are unable to agree on the appointment of an Expert within such 15-day period, the selection of the Expert will be referred to arbitration in accordance with the provisions of Section 12.1 hereto. Upon execution of this Agreement, the parties will agree on three persons to be the initial Experts and any list of Experts will be reviewed every five years, or more frequently as mutually agreed.
- (ii) in reaching its recommendation, the Expert shall take into account the General Principles set out in Article 2;
- (iii) the Expert shall be entitled to inspect all relevant documentation and to interview those of the JV Company's management personnel whose information might be of assistance;
- (iv) each Shareholder shall set out in reasonable detail its suggested resolution to the Dispute and the Expert shall recommend one of the two suggested resolutions put forward by the Shareholders for consideration by the Expert;
- (v) the cost of the reference to the Expert shall be shared by the Shareholders in proportion to their Percentage Equity Interest.

**ARTICLE 13**  
**GENERAL**

**13.1 Benefit of the Agreement**

The Agreement shall enure to the benefit of and be binding upon the respective successors and permitted assigns of the Parties hereto.

**13.2 Entire Agreement**

This Agreement shall constitute the entire agreement between the Parties with respect to the subject matter of this Agreement and shall cancel and supersede any prior understandings and agreements between the Parties with respect to such subject matter.

**13.3 Amendments and Waivers**

No amendment to this Agreement shall be valid or binding unless set forth in writing and duly executed by all of the Parties to this Agreement.

**13.4 Assignment**

Except as may be expressly provided in this Agreement, none of the Parties to the Agreement may assign its rights or obligations under this Agreement without the prior written consent of all of the other Parties.

**13.5 Communications**

- (a) Subject to appropriate confidentiality undertakings from the Shareholders to the JV Company, the Parties agree that the nominees of TALMORA or OLIVUT who are Directors of the JV Company or directors of any Subsidiary of the JV Company shall have access to all information of the JV Company necessary or advisable for them to carry out their duties as directors. Such individuals may report to their respective Shareholder any information in their possession in relation to the JV Company or any Subsidiary. Such information shall be provided to senior officers designated by each Shareholder and other individuals employed by any Shareholder on a need-to-know basis.
- (b) No Shareholder will communicate any of its Commercially Sensitive Information to the JV Company, except to such representatives of the JV Company that need to know such information to discharge statutory or regulatory obligations, and the JV Company and its representatives will only use such information for such purposes.
- (c) No Shareholder will communicate any of its Commercially Sensitive Information to the other. The JV Company will not communicate Commercially Sensitive Information of one Shareholder to another.
- (d) Any representative of the JV Company or a Shareholder who receives Commercially Sensitive Information of the JV Company shall use it only in as specifically contemplated in this Section 13.5.

- (e) All written reports and other information contemplated under this Agreement will be prepared in the English language.

#### 13.6 Termination

This Agreement shall terminate upon:

- (i) the written agreement of all of the Shareholders;
- (ii) the dissolution or bankruptcy of the JV Company or the making by the JV Company of an assignment under the provisions of any bankruptcy or insolvency law; or
- (iii) one Person becoming the direct or indirect beneficial owner of all of the outstanding Shares or Related Shares.

#### 13.7 Severability

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

#### 13.8 Notices

Any notice or other writing required or permitted to be given under this Agreement or for the purposes of the Agreement (referred to in this Section as a “**notice**”) to any Party shall be sufficiently given if delivered personally, or if transmitted by fax or e-mail with confirmation of receipt or other form of recorded communication tested prior to transmission to such Party:

- (i) in the case of the JV Company, as follows:

[Name of JV Company]

Fax No.: ●

Attention: ●

- (ii) in the case of TALMORA, as follows:

Talmora Diamonds Inc.

6 Willowood Ct,

North York, Ontario

M2J 2M3

Canada

Attention: Raymond Davies, President and CEO

Fax Number: (416) 499-5187

Email: [rayal.davies@sympatico.ca](mailto:rayal.davies@sympatico.ca)

with a copy (which shall not constitute notice to TALMORA) to:

[to be inserted]

Fax No.:

Attention:

(iii) in the case of OLIVUT, as follows:

Olivut Resources Ltd.  
PO Box 6690  
Hinton, Alberta, Canada  
T7V 1X8

Attention: Leni F. Keough, President and CEO  
Facsimile: (780) 866-3713  
Email: [leni@olivut.com](mailto:leni@olivut.com)

with a copy (which shall not constitute notice to OLIVUT) to:

[to be inserted]

Fax No.:

Attention:

or at such other address as the Party to whom such notice is to be given shall have last notified to the Party giving the same in the manner provided in this Section. Any notice personally delivered to the Party to whom it is addressed as provided in this Section shall be deemed to have been given and received on the day it is so delivered at such address, provided that if such day is not a Business Day then the notice shall be deemed to have been given and received on the Business Day next following such day. Any notice transmitted by fax or other form of recorded communication shall be deemed given and received on the first Business Day after its transmission.

### 13.9 Governing Law

Other than as specifically provided in Section 12.1, this Agreement shall be governed by, interpreted and enforced in accordance with the laws of the Province of Ontario and the laws of Canada applicable in Ontario, without regard for the conflict of law rules of such laws. The Parties irrevocably attorn and submit to the non-exclusive jurisdiction of the courts of Ontario with respect to any matters arising out of this Agreement and waive objection to the venue of any proceeding in such court or that such court provides an inconvenient forum.

### 13.10 Further Assurances

The Parties shall execute and deliver such further documents and do such further acts and things as may reasonably be required from time to time, to carry out the full intent and meaning of this Agreement.

### 13.11 Counterparts

This Agreement and any amendments hereto may be executed in counterparts, each of which shall be deemed to be an original and all of which together shall be considered one and the same agreement.

A signed copy of this Agreement sent by facsimile shall be effectual and valid proof of execution and delivery.

*[the next page is the execution page]*

IN WITNESS WHEREOF the Parties hereto have executed this Agreement as of the day and year first above written.

**TALMORA DIAMOND INC.**

By: \_\_\_\_\_  
Name: Raymond Davies  
Title: President and CEO

**[NAME OF JV COMPANY]**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**OLIVUT RESOURCES LTD.**

By: \_\_\_\_\_  
Name: Leni F. Keough  
Title: President and CEO

**SCHEDULE 1  
DEFINITIONS AND INTERPRETATIONS**

**1. Definitions**

The following words and terms shall have the meanings set out below:

**“Act”** means the *Canada Business Corporations Act*, as amended.

**“Agreement”** means this shareholders agreement between the JV Company, TALMORA and OLIVUT, and all attached appendices and all instruments supplemental to or in amendment or confirmation of the Agreement; and references to “Articles” and “Sections” are to the specified Articles and Sections of this Agreement.

**“Approved Alternative”** means a Development and Mining alternative selected by the Board of Directors from various Development and Mining alternatives analyzed in a Pre-Feasibility Study.

**“Associate”** has the meaning given to it in the *Securities Act* (Ontario) as it may be amended from time to time.

**“Auditor”** means the auditors of the JV Company appointed in accordance with this Agreement.

**“Board”** means the board of directors of the JV Company.

**“Budget”** means an annual budget approved in accordance with Article 6.

**“CDN dollars”** and **“CDN\$”** means the lawful currency of Canada.

**“Change of Control”** means, in respect of any corporation, either (a) a transaction: the effect of which is that a person or combination of persons acting in concert becomes the holder of more than 50% of the shares in the capital stock of such corporation which carry a voting right either under all circumstances or under certain circumstances that have occurred and are continuing; and such person or combination of persons did not previously hold such number of shares; or (b) a merger, arrangement, share exchange, take over bid or other similar transaction resulting in the shareholders of a corporation or other entity holding less than 50% of such corporation’s aggregate issued and outstanding shares which carry a voting right either under all circumstances or under certain circumstances that have occurred and are continuing to occur.

**“Commercially Sensitive Information”** means proprietary business information including, without limitation; (a) invention disclosures, improvements, discoveries, trade secrets, confidential information, know-how, methods, processes, designs, technology, technical data, schematics, formulae and customer lists, and documentation relating to any of the foregoing; (b) environmental audits and assessments; (c) feasibility studies; (d) present or future product prices or terms of sale, marketing plans, sales forecasts or shipments to particular customers; and (e) production or cost levels or unit costs of production.



**“Continuing Obligations”** means obligations or responsibilities that are reasonably expected to continue or arise after Operations on a particular area of the Properties have ceased or are suspended, such as future monitoring, stabilization, water treatment or Environmental Compliance.

**“Corporate Objectives”** means: (a) the exploration for any and all forms of the Products from the surface or below the surface of the Property in accordance with recognized industry practices; (b) the development, operation, closure, restoration or reclamation of facilities to extract or otherwise obtain any forms of the Products from the surface or below the surface of the Property on a commercially and technically feasible basis; or (c) any other activities or operations to evaluate, develop and exploit the Products from the surface or below the surface of the Property on a commercially and technically feasible basis; provided that, the first priority of the JV Company shall be the development and exploitation of the currently indicated Products discovered to date on the Property.

**“Development”** means (i) all preparation for the removal and recovery of Products, including construction and installation of a mill or any other improvements to be used for the mining, handling, milling, processing, or other beneficiation of Products and all related Environmental Compliance, and (ii) all Exploration.

**“Development Plan”** means a development plan approved in accordance with Article 6.

**“Director”** means a director of the JV Company.

**“Encumbrance”** means any mortgage, deed of trust, pledge, lien, security interest, adverse interest, net profits interest, royalty, overriding royalty interest, other payment out of production, claim, off-take agreement, third party right of first refusal or pre-emptive right, other third person interest or other encumbrance or burden of any nature, whether contingent or absolute, and any agreement to grant any of the foregoing.

**“Environmental Compliance”** means actions performed during or after Operations to comply with the requirements of all Environmental Laws or contractual commitments related to reclamation of the Properties or other compliance with Environmental Laws.

**“Environmental Laws”** means laws aimed at reclamation or restoration of the Properties; abatement of pollution; protection of the environment; protection of wildlife, including endangered species; ensuring public safety from environmental hazards; protection of cultural or historic resources; management, storage or control of hazardous materials and substances; releases or threatened releases of pollutants, contaminants, chemicals or industrial, toxic or hazardous substances as wastes into the environment, including, ambient air, surface water and groundwater; and all other laws relating to the manufacturing, processing, distribution, use, treatment, storage, disposal, handling or transport of pollutants, contaminants, chemicals or industrial, toxic or hazardous substances or wastes.

**“Environmental Liabilities”** means any and all claims, actions, causes of action, damages, losses, liabilities, obligations, penalties, judgments, amounts paid in settlement, assessments, costs, disbursements, or expenses (including attorneys’ fees and costs, experts’ fees and costs, and consultants’ fees and costs) of any kind or of any nature whatsoever that are asserted against a Participant, by any person or entity other than the other Participant, alleging liability (including liability for studies, testing or investigatory costs, cleanup costs, response costs, removal costs, remediation costs, containment costs, restoration costs, corrective action costs, closure costs, reclamation costs, natural resource damages, property damages,

business losses, personal injuries, penalties or fines) arising out of, based on or resulting from (i) the presence, release, threatened release, discharge or emission into the environment of any hazardous materials or substances existing or arising on, beneath or above the Properties and/or emanating or migrating and/or threatening to emanate or migrate from the Properties to off-site properties; (ii) physical disturbance of the environment; or (iii) the violation or alleged violation of any Environmental Laws.

**“Expansion” or “Modification”** means (i) a material increase in mining or production capacity, including as a result of the proposed Development of a new deposit area on the Properties; (ii) a material change in the recovery process; or (iii) a material change in waste or tailings disposal methods. An increase or change shall be deemed “material” if it is anticipated to cost more than 25% of original capital costs (as defined by the Feasibility Study) attributable to the Development of the mining or production capacity, recovery process or waste or tailings disposal facility to be expanded or modified.

**“Expansion Feasibility Study”** means a report to be prepared in respect of such Expansion or Modification following selection by the Board of Directors of one or more Approved Alternatives. The Expansion Feasibility Study shall include a review of information presented in any Pre-Feasibility Studies concerning the Approved Alternative(s). The Expansion Feasibility Study shall be in a form and of a scope generally acceptable to reputable financial institutions that provide financing to the mining industry and shall qualify as a “feasibility study” for purposes of National Instrument 43-101.

**“Expert”** has the meaning defined in Section 12.1.

**“Exploration”** means activities directed toward further ascertaining the existence, location, quantity, quality or commercial value of Products, in or under the Properties or the Area of Mutual Interest, including additional drilling required after discovery of potentially commercial mineralization, and including related Environmental Compliance.

**“Feasibility Contractors”** mean one or more engineering firms approved by the Board of Directors for purposes of preparing or auditing any Feasibility Study or Pre-Feasibility Study.

**“Feasibility Study”** means a report to be prepared following selection by the Board of Directors of one or more Approved Alternatives. Any Feasibility Study shall include a review of information presented in any Pre-Feasibility Studies concerning the Approved Alternative(s). Any Feasibility Study shall be in a form and of a scope generally acceptable to reputable financial institutions that provide financing to the mining industry and shall qualify as a “feasibility study” for purposes of National Instrument 43-101.

**“Financial Institution”** means any nationally or internationally recognized commercial bank, lending or financial institution.

**“Independent”** means a Person who is a Mineral Industry Expert and is not (i) a Party, (ii) an Affiliate or Associate of a Party, (iii) a director, officer or employee of any of (i), or (ii), (iv) a director, officer or employee of any Person that has a material contract with a Party, (v) a professional advisor to a Party or (vi) any Person that is a spouse or co-vivant of, or is related by blood or adoption to, any of the foregoing.

**“Insolvent Party”** means: a) a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for a substantial part of its assets is appointed and such appointment is neither made ineffective nor discharged within sixty (60) days after the making thereof, or such appointment is consented to,

requested by, or acquiesced in by the Party; b) the Party commences a voluntary assignment under any applicable bankruptcy, insolvency or similar laws, consents to the entry of an order for relief in an involuntary case under any such law or to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or other similar official of any substantial part of its assets, makes a general assignment for the benefit of creditors, fails generally to pay its debts as such debts become due or takes corporate or other action in furtherance of any of the foregoing; or c) entry is made against the Party of a judgment, decree or order for relief affecting a substantial part of its assets by a court of competent jurisdiction in an involuntary case commenced under any applicable bankruptcy, insolvency or other similar laws of any jurisdiction now or hereafter in effect.

**“Horton Project”** means the project to explore for mineral and develop a mine and conduct Mining Operations conducted on or in relation to the Properties or any other property owned, leased or under option by the JV Company.

**“JV Company”** means [Name of JV Company], a corporation existing under the laws of Canada, and its successors.

**“LIBOR”**, with respect to any interest period, means the rate of interest (expressed as an annual rate) for deposits in CDN dollars for a period equal to the particular interest period which appears on the Reuters screen LIBOR 01 page as of 11:00 a.m. London time on the second Business Day before the first day of that interest period.

**“Mine”** means the workings established and Assets acquired, obtained or constructed in order to bring the Properties, or any portion thereof, into, and to maintain, commercial production, including, without limitation, mine development openings, plant and service facilities, concentrator and other metallurgical installations, tailings impoundments, infrastructure, housing and other related facilities.

**“Mine Closure Plan”** has the meaning set out in Section 6.11.

**“Mineral Industry Expert”** means an individual with at least 30 years of active experience in the Minerals exploration field with an emphasis on diamonds. Experience in mining and production would be preferred but not necessary.

**“Mineral Rights”** means the rights and obligations in respect of the rights to explore and mine the hectares identified in Schedule “A” to the Option Agreement.

**“Minerals”** means diamonds and other minerals such as gold which are found in, on or under the Properties and may lawfully be explored for, mined and sold pursuant to the Mineral Rights and other instruments of title under which any of the Properties is held.

**“Mining”** means the mining, extracting, producing, beneficiating, handling, milling or other processing of Products.

**“Mining Operations”** means every kind of work done in connection with the Property that relates to (a) the exploration for any and all forms of the Products on the surface or below the surface of the Property; (b) the development or operation of facilities to extract or otherwise obtain any and all forms of the Products on the surface or below the surface of the Property; or (c) any other activities or

operations to evaluate, develop or commercially exploit any and all forms of the Products on the surface or below the surface of the Property.

**“National Instrument 43-101”** means National Instrument 43-101 entitled “Standards of Disclosure for Mineral Projects”, as issued by the Canadian Securities Administrators, as amended from time to time.

**“Net Smelter Return Royalty”** or **“Net Sales Return Royalty”** means the 2% “Net Smelter Return Royalty” or “Net Sales Return Royalty” received by TALMORA or OLIVUT from the JV Company for any and all amounts received by the JV Company from a third party, from time to time, for Products extracted from ore mined from the Properties as defined in Schedule 3 of this Agreement .

**“OLIVUT”** means Olivut Resources Ltd., a corporation existing under the laws of the Province of Ontario.

**“OLIVUT Deemed Initial Contribution”** has the meaning defined in Section 2.2(c).

**“Operations”** means the activities carried out under this Agreement.

**“Operator”** has the meaning set out in Section 5.2.

**“Option Agreement”** means the option agreement entered between TALMORA and OLIVUT dated [NTD: insert date], as it may be amended from time to time.

**“Other Rights”** means any interest in real property, whether freehold, leasehold, license, right of way, easement, any other surface or other right in relation to real property, and any right, licence or permit in relation to the use or diversion of water, but excluding any Mineral Rights.

**“Parties”** means, collectively, TALMORA, the JV Company, OLIVUT, and any other Person which becomes a party to this Agreement, and **“Party”** means any one of them.

**“Percentage Equity Interest”** at any time shall mean the number of Shares owned by a Shareholder divided by the total number of outstanding Shares.

**“Pre-Feasibility Studies”** means one or more studies prepared to analyze whether an economically viable Mine may be possible on any of the Properties and shall meet the definition of a “preliminary feasibility study” for purposes of National Instrument 43-101.

**“Production Notice”** has the meaning set out in Section 6.5.

**“Products”** means all ores, minerals and mineral resources and by-products thereof that may be produced from the mineral resources contained in the Properties.

**“Program”** means an annual description of the Mining Operations to be conducted and objectives to be accomplished thereof to be approved in accordance with Article 6.

**“Program Period”** means the time period covered by an adopted Program and Budget.

**“Project Debt Financing”** has the meaning ascribed thereto in Section 8.1 of the Agreement.

**“Properties”** means the mineral Properties as defined in the Option Agreement that exist on the JV Operative Date (as defined in the Option Agreement), and includes any New Lands together with any renewal of such Mineral Rights or Other Rights and any other form of successor or substitute title therefor, the Minerals thereon, all information obtained from Mining Operations and those rights and benefits appurtenant thereto that are acquired for the purpose of conducting Mining Operations.

**“Seahorse Royalty”** means the 1% Net Smelter Return Royalty or Net Sales Return Royalty (as defined in Schedule C of the Option Agreement) payable to TALMORA for any and all amounts, received by OLIVUT or the JV Company as the case may be, from a third party, from time to time, for Product extracted from ore mined from the area defined in Schedule “B” of the Option Agreement.

**“Shareholders”** means the registered shareholders of Shares on the JV Company’s share register and **“Shareholder”** means any one of such registered holders of Shares.

**“Shares”** means common shares in the capital of the JV Company, and, where the context permits, includes (a) any securities into which such shares may be converted, reclassified, redesignated, subdivided, consolidated or otherwise changed, (b) any securities of the JV Company which are received by any one or more Persons as a stock dividend or distribution on or in respect of such shares or quotas, as applicable, and (c) any security, other instrument or right that is convertible into or evidences the right to acquire any of the foregoing securities.

**“Subsidiary”** has the meaning given to it in the *Securities Act* (Ontario) as it may be amended from time to time.

**“TALMORA”** means Talmora Diamonds Inc., a corporation existing under the laws of the Province of Ontario.

**“TALMORA Deemed Initial Contribution”** has the meaning defined in Section 2.2(b).

**“TALMORA Shareholder”** means TALMORA and any direct or indirect Subsidiary of TALMORA that owns Shares or holds shareholder loans owing from the JV Company.

## 2. Interpretation

The following rules of interpretation apply:

- (a) time is of the essence in the performance of the Parties’ respective obligations;
- (b) unless otherwise specified, all references to money amounts are to Canadian currency;
- (c) the descriptive headings of Articles and Sections are inserted solely for convenience of reference and are not intended as complete or accurate descriptions of content and shall not be used to interpret the provisions of this Agreement;
- (d) the use of words in the singular or plural, or with a particular gender, shall not limit the scope or exclude the application of any provision of this Agreement to such person or persons or circumstances as the context otherwise permits;

- (e) unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day which ends the period and by extending the period to the next Business Day following if the last day of the period is not a Business Day;
- (f) whenever any payment to be made or action to be taken under this Agreement is required to be made or taken on a day other than a Business Day, such payment shall be made or action taken on the next Business Day following; and
- (g) the word "including", whether or not followed by the words "without limitation" or similar words means "including but not limited to".



**SCHEDULE 2**  
**SHAREHOLDER APPROVAL MATTERS**

1. Any of the following fundamental corporate changes or matters:
  - (a) amendments to the Articles or bylaws of the JV Company or any Subsidiary of the JV Company other than as expressly contemplated by the Shareholders Agreement;
  - (b) any reduction or increase in the stated capital of the JV Company, except as contemplated by the Shareholders Agreement.
  - (c) Amendments to the rights, terms or conditions attaching to any issued or unissued shares of the JV Company;
  - (d) the distribution policy of the JV Company;
  - (e) loans to Shareholders;
  - (f) any disposition or relinquishment of Mineral Rights or Other Rights;
  - (g) the amalgamation, statutory arrangement or merger of the JV Company with another Person;
  - (h) the commencement or taking of any action to commence a voluntary dissolution, winding up or other steps to terminate the existence of the JV Company;
  - (i) the issue, transfer, assignment, encumbrance or other disposition of the securities of the JV Company or any Subsidiary of the JV Company to any Person, other than the JV Company, except in connection with any pledge to a Financial Institution for the purposes of Project Debt Financing or as may be expressly permitted by the Shareholders Agreement;
  - (j) the sale or transfer of all or substantially all of the assets of the JV Company;
  - (k) a continuance of the JV Company to another jurisdiction;
  - (l) a change to the JV Company's auditors or waiver of the appointment of an auditor;
  - (m) any change to the financial year end of the JV Company; or
  - (n) Any reorganization as defined in the Act.
2. Any of the following matters undertaken in relation to the Horton Project by the JV Company:
  - (a) the formation or establishment of a Subsidiary, the purchase of or investment in any body corporate or other entity, the acquisition of the whole or a part of the business of any Person, or the commencement of additional business operations;



- (b) the cessation of work at the Horton Project, unless such cessation is required for operational reasons or to comply with any regulatory requirement or order of a Governmental Authority or court having jurisdiction;
  - (c) the adoption of and changes to financial control procedures or material accounting policies (unless required to comply with regulatory requirements);
  - (d) the adoption of and changes to the hedging and risk management policy;
  - (e) any management, service or other agreement with any Person that is related to (including an Affiliate or an Associate, as those terms are defined in the Shareholders Agreement) and any material amendments thereto; or
  - (f) encumbering any of the JV Company's assets, except pursuant to Project Debt Financing, or in accordance with a Financing Plan, leasing arrangements or any successor arrangements.
3. The adoption of and material changes to the Development Plan, Program, Budget, Project Debt Financing, and, if required by any lenders, completion guarantees, and all related documentation.
4. Any of the following entered into on behalf of the JV Company:
- (a) any material agreement entered into prior to completion with a value in excess of CDN\$5 million, except as expressly provided for in the Shareholders Agreement; or
  - (b) any agreement to licence any technology or know-how developed for the Horton Project to any Person that is not a Shareholder.
5. Any of the following expenditures:
- (a) any single expenditure of more than 10% of the total Budget that is not included in an approved Budget;
  - (b) the initiation, conduct, abandonment or settlement of any arbitration or legal proceedings or regulatory proceedings brought by or against the JV Company involving an aggregate value of more than CDN\$1.5 million, except for the initiation, conduct, abandonment or settlement of any arbitration or legal proceedings relating to the enforcement of any payment obligations under any off-take contract or other agreement.

6. Material agreements in connection with development and construction of the Horton Project with a value in excess of CDN\$5 million.
7. Service or management agreements with Persons not related to a Shareholder, where the fee payable under the agreement (excluding reimbursement for third party costs charges to the Horton Project) exceeds CDN\$1 million.
8. Appointment from time to time of the chief executive officer, chief operating officer and chief financial officer of the JV Company.

**SCHEDULE 3**  
**NET SMELTER RETURNS or NET SALES RETURN ROYALTY**

1. For the purposes of this Agreement the following words and phrases shall have the following meanings, namely:

(a) "Commencement of Commercial Production" means:

(i) if a mill is located on one or more of the Properties, the last day of a period of 40 consecutive days in which, for not less than 30 days, the mill or mills processed Ore from one or more of the Properties at 60% of its rated concentrating capacity; or

(ii) if a mill is not located on one or more of the Properties, the last day of a period of 30 consecutive days during which Ore has been shipped from one or more of the Properties on a reasonably regular basis for the purpose of earning revenues, but any period of time during which Ore or concentrate is shipped from one or more of the Properties for testing purposes, or during which milling operations are undertaken as initial tune-up, shall not be taken into account in determining the date of Commencement of Commercial Production.

(b) "Net Smelter Returns" or "Net Sales Return" shall mean the gross proceeds received by the JV Company in any year from the sale of Product from the mining operation on one or more of the Properties, less:

(i) the cost of transportation of such Product to a smelter or other place of treatment, and

(ii) smelter and treatment charges.

(c) "Ore" shall mean any material containing a mineral or minerals of commercial economic value mined from one or more of the Properties; and

(d) "Product" shall mean Ore mined from one or more of the Properties and any concentrates or other materials or products derived there from, but if any such Ore, concentrates or other materials or products are further treated as part of the mining operation in respect of the Properties, such Ore, concentrates or other materials or products shall not be considered to be "Product" until after they have been so treated.

2. For the purposes of calculating the amount of the Royalty payable to a Party hereunder (the "**Receiving Party**"), if, after the Commencement of Commercial Production, the JV Company sells any Product to one of its subsidiaries or affiliates, and if the sale price of such Product is not negotiated on an arm's-length basis, the JV Company shall for the purposes of calculating Net Smelter Returns only and notwithstanding the actual amount of such sale price, add to the proceeds from the sale of such Product an amount which would be sufficient to make such sale price represent a reasonable net sale price for such Product as if negotiated at arm's length.
3. The JV Company shall by written notice inform the Receiving Party of the quantum of such reasonable net sale price and, if the Receiving Party does not object thereto, within 60 days after receipt of such notice, said quantum shall be final and binding for the purposes of this Agreement.
4. The JV Company may remove reasonable quantities of Ore and rock from one or more of the Contributed Properties for the purpose of bulk sampling and of testing, and there shall be no Royalty payable to the Receiving Party with respect thereto unless revenues are derived there from.
5. The JV Company shall have the right to commingle with Ores from one or more of the Properties, ore produced from other properties that are not part of this Agreement, provided that prior to such commingling, the JV Company shall adopt and employ reasonable practices and procedures for weighing, determining moisture content, sampling and assaying, as well as utilize reasonable accurate recovery factors in order to determine the amounts of products derived from, or attributable to Ore mined and produced from one or more of the Properties. The JV Company shall maintain accurate records of the results of such sampling, weighing and analysis as pertaining to Ore mined and produced from one or more of the Properties.
6. Installments of the Royalty payable shall be paid by the JV Company to the Receiving Party promptly and in any event not more than 30 days following the receipt by the JV Company of the payment from the smelter, refinery or other place of treatment of the proceeds of sale of the minerals, Ore, concentrates or other product from one or more of the Properties.
7. The JV Company agrees to maintain for each mining operation on any one or more of the Properties, up-to-date and complete records relating to the production and sale of diamonds, minerals, Ore, bullion and other product from any one or more of the Properties, including accounts, records, statements and returns relating to treatment and smelting arrangements of such product, and the Receiving Party or its agents shall have the right at reasonable times and intervals, including for a period of 12 months following the expiration or termination of this Agreement, to inspect such records, statements and returns and make copies thereof at its own expense for the purpose of verifying the amount of Royalty payments to be made by the JV Company to the Receiving Party pursuant hereto. The Receiving Party shall have the right to have such accounts audited by independent auditors at its own expense once each fiscal year.