

## OPTION AGREEMENT (CLARK'S BROOK)

THIS OPTION AGREEMENT made effective as of the 29th day of July, 2020

### BETWEEN:

**METALS CREEK RESOURCES INC.**, a body corporate incorporated under the laws of Ontario (referred to herein as the "**Optionor**")

- and -

**CELLSTOP SYSTEMS INC.**, a body corporate incorporated under the laws of British Columbia (referred to herein as the "**Optionee**")

**WHEREAS** the Optionor is the recorded holder of certain mining claim units in one license which claims are situated in central Newfoundland near Northwest Gander River, approximately 25 kilometers west of the town of Glenwood, and more particularly described in Schedule "A" attached hereto and forming a part of this Option Agreement (the "**Agreement**");

**AND WHEREAS** the Optionor has agreed to grant a sole, exclusive and irrevocable option to the Optionee to acquire a one hundred percent (100%) undivided interest in the mining claim units and the license associated with the Property (the "**Option**") upon the terms and conditions set forth herein.

**NOW THEREFORE THIS AGREEMENT WITNESSETH** that, in consideration of the mutual covenants expressed herein, the payment of funds and the issuance of shares set forth herein and other good and valuable consideration, the parties hereto agree as follows:

### 1. Interpretation

- (a) **Definitions.** The following terms, wherever used in this Agreement, shall have the meanings set forth below:
- (i) "**Business Day**" means a day other than Saturday, Sunday or a statutory holiday in Gander, Newfoundland;
  - (ii) "**Common Shares**" means common shares in the capital stock of the Optionee;
  - (iii) "**CSE**" means the Canadian Securities Exchange or any successor thereto;
  - (iv) "**Effective Date**" means the date first written above;
  - (v) "**Encumbrances**" means any and all liens, encumbrances, charges, royalties, mortgages, security interests and claims;
  - (vi) "**Environmental Standards**" means all laws, orders, rules and regulations of whatever authority, as they may apply to and affect environmental and pollution control standards in effect, whether federal, provincial or municipal;
  - (vii) "**Exploration Data**" means: (i) copies of all information, data, maps, and reports (both factual and interpretative) with respect to any work performed on the Property by the Optionor or any previous owner of the Property; (ii) all Historical Data in the possession or control of the Optionor; and (iii) all drill core, sample pulps, sample splits, rock samples and other physical material removed from the Property for testing purposes and in the possession and control of the Optionor;

- (viii) "**Historical Data**" means any and all information, data, maps, drill logs, assay results, and reports (both factual and interpretative) with respect to any exploration, mining or other operations carried out by Third Parties on or with respect to the ground now comprised within the Property;
- (ix) "**Losses and Liabilities**" means all claims, liabilities, actions, proceedings, demands, losses, costs, penalties, fines, damages and expenses which may be sustained or incurred by any of a Party, its directors, officers, agents and employees, including reasonable legal fees and disbursements on a solicitor and its own client basis;
- (x) "**Minerals**" shall mean all ores, end products and other materials recovered, produced or derived from operating the Property as a mine;
- (xi) "**Mining Act**" means the *Mining Act, SNL 1999, Chapter M-15.1* and the rules and regulations thereunder and amendments thereto;
- (xii) "**Mining Operations**" means every kind of work done on or in respect of the Property or any product derived from the Property while the Option is in effect by or under the direction of the Optionee including, without limiting the generality of the foregoing, the work of assessment, geophysical, geochemical and geological surveys, studies and mapping, investigating, drilling, designing, examining, equipping, improving, surveying, shaft-sinking, raising, cross-cutting, searching for, drifting, trucking, sampling, working and procuring minerals, ores and metals, surveying and bringing any mining claims to lease or patent, and all other work usually considered to be prospecting, exploration, development and mining work; in paying wages and salaries of workers engaged in the work and in supplying food, lodging, transportation and other reasonable needs of the workers; in paying assessments or premiums for workers' compensation insurance, contributions for unemployment insurance or other pay allowances or benefits customarily paid in the district to those workers; in paying rentals, licence renewal fees, taxes and other governmental charges required to keep the Property in good standing; in purchasing or renting plant, buildings, machinery, tools, appliances, equipment or supplies and in installing, erecting, detaching and removing them; mining, milling, concentrating, rehabilitation, reclamation, and environmental protections and in the management of any work which may be done on the Property or in any other respect necessary for the due carrying out of the prospecting, exploration and development work;
- (xiii) "**Mining Rights**" includes mineral rights and the right to conduct Mining Operations on the Property and further includes the meanings and rights attributed to Mining Rights under the Mining Act;
- (xiv) "**Net Smelter Returns**" has the meaning given to it in Schedule "B" attached hereto;
- (xv) "**Party**" means a party to this Agreement;
- (xvi) "**Person**" means an individual, firm, body corporate, partnership or other legal entity, as the case may be;
- (xvii) "**Property**" means all of the mining claim units comprising the license as more particularly described in Schedule "A" including all Mining Rights thereunder;
- (xviii) "**Regulations**" means all statutes, laws, rules, orders, directives and regulations in effect from time to time and made by governments or governmental agencies having jurisdiction over the Property or the Parties;

- (xix) **"Right of First Refusal"** means a right of first refusal, pre-emptive right of purchase or similar right whereby a Third Party has the right to acquire or purchase a portion of the Property as a consequence of the Optionor having agreed to sell or dispose of the Property to the Optionee in accordance with the terms of this Agreement;
  - (xx) **"Royalty"** means the royalty on Net Smelter Returns which is payable by the Optionee to the Optionor pursuant to a royalty to be reserved by the Optionor, upon a sale and transfer of the Mineral Rights to the Optionee pursuant to the exercise of the Option, the terms of which royalty are set out in Schedule "B" attached hereto and forming part of this Agreement (the **"Royalty Terms"**);
  - (xxi) **"Tax Act"** means the Income Tax Act (Canada), as amended from time to time; and
  - (xxii) **"Third Party"** means any individual or entity other than a Party hereto, including any partnership, corporation, trust, unincorporated organization, union, government and any department or agency thereof and any heir, executor, administrator or other legal representative of an individual.
- (b) **Headings.** The headings of this Agreement and the schedules are solely for convenience of reference and do not affect the interpretation of it or define, limit or construe the contents of any provision of this Agreement.
- (c) **References.** The references "hereunder", "herein", and "hereof" refer to the provisions of this Agreement, and references to "Article", "section", "subsection", "paragraph" or "subparagraph" herein refer to the specified Article, section, subsection; paragraph or subparagraph of this Agreement. Whenever a general description of a matter or thing is stated to "include" a specific item or list of items, the specific item or list of items will not be interpreted as an exhaustive list of the items covered by the general description.
- (d) **Business Days.** Any reference to days refers to calendar days unless the reference is to Business Days, and if the phrase "within", "at least" or "not later than" is used with reference to a specific number of days or Business Days, the day of receipt of the relevant notice will be excluded and the day of the relevant response or event will be included in determining the relevant time period. However, if the time for doing any act expires on a day that is not a Business Day, the time for doing that act will be extended to the next Business Day
- (e) **Number and Gender.** Words importing the singular number shall include the plural and vice versa, words importing the neuter gender shall include the masculine and feminine genders, and words importing persons shall include firms and corporations and vice versa.
- (f) **Governing Law.** This Agreement and the rights and obligations and relations of the parties shall be governed by and construed in accordance with the laws of the Province of Newfoundland and Labrador and the federal laws of Canada applicable therein (but without giving effect to any conflict of law rules). The parties agree that the courts of Newfoundland and Labrador shall have jurisdiction over any action or other legal proceedings based on any provisions of this Agreement. Each Party attorns to the jurisdiction of the courts of the Province of Newfoundland and Labrador.
- (g) **Currency.** All references to currency in this Agreement are references to Canadian currency.
- (h) **Further Assurances.** Each Party hereto agrees from time to time, subsequent to the date hereof, to execute and deliver or cause to be executed and delivered to the others of them

such instruments or further assurances as may, in the reasonable opinion of either of them, be necessary or desirable to give effect to the provisions of this Agreement or as may be reasonably required for registering or recording changes in ownership interests in the Property.

- (i) **Schedules.** The following are schedules attached and incorporated in this Agreement by reference and are deemed to be a part hereof:

Schedule "A" - Property  
Schedule "B" - Royalty Terms

- (j) **Conflicts.** If there is any conflict or inconsistency between a provision of the body of this Agreement and that of a Schedule or a conveyance document, the provision of the body of this Agreement will prevail.

2. **Optionor's Representations and Warranties.** The Optionor hereby represents and warrants to the Optionee on the date hereof that:

- (a) the Optionor is a corporation duly incorporated, validly subsisting and in good standing under the laws of its jurisdiction of incorporation;
- (b) the Optionor has the requisite capacity, power and authority to execute this Agreement and all other agreements and instruments contemplated hereby, and to perform its obligations hereunder and thereunder;
- (c) the execution and delivery of this Agreement, and the completion of the transactions contemplated by this Agreement are not and will not be in violation or breach of, or be in conflict with: (i) any agreement, instrument, permit or authority to which the Optionor is a party or by which the Optionor is bound; or (ii) any law, statute, rule or regulation or any judicial order, award, judgment or decree applicable to the Optionor or the Property;
- (d) the Optionor has taken all actions necessary to authorize the execution and delivery of this Agreement and all other agreements and instruments contemplated hereby and will have taken all actions necessary to authorize and complete the sale of the Property in accordance with the provisions of this Agreement;
- (e) this Agreement and all other agreements and instruments contemplated hereby, have been validly executed and delivered by the Optionor, and this Agreement and all other agreements and instruments executed and delivered on behalf of the Optionor hereunder will constitute valid and binding obligations of the Optionor enforceable in accordance with their respective terms and conditions, subject to laws affecting creditors' rights generally and the discretionary nature of equitable remedies;
- (f) no authorization or approval or other action by, and no notice to or filing with, any governmental authority is required for the due execution, delivery and performance by the Optionor of this Agreement, other than authorizations, approvals or exemptions previously obtained and currently in force or to be obtained prior to the completion of the transactions contemplated herein;
- (g) the Optionor is the registered or recorded owner of a one hundred percent (100%) interest in the Property;
- (h) the Property is in good standing, free and clear of all Encumbrances;
- (i) the Optionor has fully complied with all applicable Regulations with respect to the Property and the Optionor has not received notice of any breach, violation or default with respect to the Property;

- (j) the Property has been duly and validly staked, tagged, located and recorded pursuant to applicable legislation of the Province of Newfoundland and Labrador constituting valid and subsisting Mining Rights and the Property is in good standing with respect to property or mineral tax requirements;
- (k) the Optionor has the full and undisputed right to deal with the Property as provided for in this Agreement;
- (l) the Optionor has not committed an act of bankruptcy, is not insolvent, has not proposed a compromising arrangement to its creditors generally, has not had any petition for a receiving order in bankruptcy filed against it, has not made a voluntary assignment in bankruptcy, has not taken any proceedings with respect to a compromise or arrangement, has not taken any proceeding to have itself declared bankrupt or wound-up, has not taken any proceeding to have a receiver appointed of any part of its assets, has not had any encumbrancer take possession of any of its property and has not had any execution or distress become enforceable or become levied upon any of its property;
- (m) the Property is not subject to any currently recorded, registered or pending or threatened claims by any Third Party or any regulatory agency and there are no existing or, to the Optionor's knowledge, pending or threatened, proceedings, actions or lawsuits against or with respect to the Property;
- (n) the Optionor's interest in the Property is not subject to reduction through any right or interest granted or election made by, through or under it or of which the Optionor has knowledge;
- (o) there are no royalties or other payments in the nature of rent or royalties payable on any Minerals from the Property pursuant to the Mining Act or any agreement or other statute;
- (p) no person has any Right of First Refusal in respect of the Property and no Person has any written or oral agreement, option, understanding or commitment, or any right or privilege capable of becoming such for the purchase from the Optionor of the Property, or any right or interest therein;
- (q) the Optionor is not a non-resident of Canada within the meaning of the Tax Act;
- (r) the Optionor has not incurred any obligation or liability, contingent or otherwise, for brokers' or finders' fees in respect of the transactions contemplated by this Agreement for which the Optionee will have any obligation or liability;
- (s) there is no indebtedness or liability to any Person which might, by operation of law or otherwise, now or hereafter constitute or be capable of resulting in or forming an encumbrance upon the Property, and, save as aforesaid, there is no indebtedness or liability of any kind whatsoever relating to the Property in respect of which the Optionee may become liable;
- (t) in respect of the Property, except pursuant to applicable Regulations, there are no financial commitments of the Optionor which are due as of the date hereof or which may become due by virtue of matters occurring or arising prior to the date hereof, other than usual operating expenses incurred in the normal conduct of operations;
- (u) the Optionor has not received, nor is it aware of: (i) any orders or directives under any statute, law, rule, order or regulation which relate to environmental matters and which require any work, repairs, construction or capital expenditures with respect to the Property, where such orders or directives have not been complied with in all material respects; or (ii) any demand or notice issued under any statute, law, rule, order or regulation with respect to the breach of any environmental, health or safety law applicable to the Property, including any statute, law, rule, order or regulation respecting the use, storage, treatment,

transportation or disposition of environmental contaminants, which demand or notice remains outstanding at the date hereof;

- (v) the Optionor has not received notice of the existence of any condemnation, expropriation or similar proceedings affecting the Property;
- (w) the Optionor will not sell, convey, transfer, encumber or otherwise dispose of any interest in the Property, other than as contemplated by this Agreement;
- (x) the Optionor does not have any information or knowledge of any fact relating to the Property or the transactions contemplated by this Agreement which would reasonably be expected to affect, materially and adversely, the Property;
- (y) this Agreement (including the Schedules) is correct in every material respect, does not contain any untrue statement by the Optionor of a material fact nor has the Optionor or any of its representatives omitted to state in this Agreement a material fact necessary in order to make the statements contained herein not misleading;
- (z) the Optionor has made available to the Optionee all material information in its possession or control relating to the Property and throughout the Option period, shall continue to make available to the Optionee all material information in its possession or control relating to the Property; and
- (aa) the Optionor has no other information or knowledge of any facts pertaining to the Property not disclosed to the Optionee in writing, which if known by the Optionee might reasonably be expected to deter the Optionee from completing the transactions contemplated by this Agreement.

Except where a time is specified therein, the representations and warranties herein will continue in full force and effect during the term of this Agreement and will survive the termination of this Agreement for a period of 12 months. In the absence of fraud, however, no claim or action will be commenced with respect to a breach of any such representation or warranty unless within such period, written notice specifying such breach in reasonable detail has been provided to the Optionor. Nothing in this Agreement will preclude the Optionor from offering as a possible defence that the other Party did not, in fact, rely to its detriment on the representation or warranty alleged by it to have been breached.

The representations and warranties herein will be deemed to apply to all assignments, conveyances, transfers and other documents conveying any of the Property from the Optionor to the Optionee. There will not be any merger of any such representations or warranties in such assignments, conveyances, transfers or other documents, notwithstanding any rule of law, equity or statute to the contrary, and all such rules are hereby waived.

3. **Optionee's Representations and Warranties.** The Optionee represents and warrants to the Optionor on the date hereof that:

- (a) the Optionee is a corporation duly incorporated, validly subsisting and in good standing under the laws of its jurisdiction of incorporation;
- (b) the Optionee has the requisite capacity, power and authority to execute this Agreement and all other agreements and instruments contemplated hereby, and to perform its obligations hereunder and thereunder;
- (c) the execution and delivery of this Agreement, and the completion of the transactions contemplated by this Agreement are not and will not be in violation or breach of, or be in conflict with: (i) any agreement, instrument, permit or authority to which the Optionee is a

party or by which the Optionee is bound; or (ii) any law, statute, rule or regulation or any judicial order, award, judgment or decree applicable to the Optionee;

- (d) the Optionee has taken all actions necessary to authorize the execution and delivery of this Agreement and all other agreements and instruments contemplated hereby and will have taken all actions necessary to authorize and complete the purchase of the Property in accordance with the provisions of this Agreement;
- (e) this Agreement and all other agreements and instruments contemplated hereby, have been validly executed and delivered by the Optionee, and this Agreement and all other agreements and instruments executed and delivered on behalf of the Optionee hereunder will constitute valid and binding obligations of the Optionee enforceable in accordance with their respective terms and conditions, subject to laws affecting creditors' rights generally and the discretionary nature of equitable remedies;
- (f) no authorization or approval or other action by, and no notice to or filing with, any governmental authority is required for the due execution, delivery and performance by the Optionee of this Agreement, other than authorizations, approvals or exemptions previously obtained and currently in force or to be obtained prior to the completion of the transactions contemplated herein;
- (g) other than any approvals, consents or acceptances which are preconditions to the completion of the transactions contemplated herein, no approvals, consents or acceptances are required to be obtained by the Optionee to permit the purchase of the Property, the issuance of the Common Shares and the other transactions contemplated by this Agreement;
- (h) upon the issuance thereof to the Optionor, the Common Shares will have been duly and validly authorized, allotted and issued to the Optionor and the Common Shares will be outstanding as fully paid and non-assessable and not subject to any encumbrances arising by, through or under the Optionee or any restrictions on transfer other than pursuant to applicable securities laws; and
- (i) this Agreement does not contain any untrue statement by the Optionee of a material fact nor has the Optionee or any of its representatives omitted to state in this Agreement a material fact necessary in order to make the statements contained herein not misleading.

Except where a time is specified therein, the representations and warranties herein will continue in full force and effect during the term of this Agreement and will survive the termination of this Agreement for a period of 12 months. In the absence of fraud, however, no claim or action will be commenced with respect to a breach of any such representation or warranty unless within such period, written notice specifying such breach in reasonable detail has been provided to the Optionee. Nothing in this Agreement will preclude the Optionee from offering as a possible defence that the other Party did not, in fact, rely to its detriment on the representation or warranty alleged by it to have been breached.

The representations and warranties herein will be deemed to apply to all assignments, conveyances, transfers and other documents conveying any of the Property from the Optionor to the Optionee. There will not be any merger of any such representations or warranties in such assignments, conveyances, transfers or other documents, notwithstanding any rule of law, equity or statute to the contrary, and all such rules are hereby waived.

#### **4. Grant of Option to Earn Interest**

- (a) The Optionor hereby grants to the Optionee the sole, exclusive, irrevocable and immediate right to acquire a one hundred percent (100%) interest in the Property from the Optionor (subject to the Royalty pursuant to the Royalty Terms) by making the payments and share

issuances described herein and by complying with the other terms and conditions of this Agreement.

- (b) Upon execution of this Agreement, the Optionee may register this Agreement or notice of this Agreement against title to the Property.
5. **Exercise of Option.** In order to maintain the Option in good standing, the Optionee must, upon completion of normal and reasonable due diligence (and receipt of all necessary regulatory and Third Party approvals, including the CSE or any stock exchange on which any of the securities of the Optionee are listed, and any securities commission having jurisdiction over the Optionee, as applicable):
- (a) **Share Issuances:** The Optionee shall issue an aggregate of 1,500,000 Common Shares in accordance with the following schedule:
- (i) 200,000 Common Shares immediately prior to the date the Common Shares are first listed and posted for trading on the CSE (the “**Initial Issuance Date**”);
  - (ii) 300,000 Common Shares on or before the date that is 12 months from the Initial Issuance Date;
  - (iii) 500,000 Common Shares on or before the date that is 24 months from the Initial Issuance Date; and
  - (iv) 500,000 Common Shares on or before the date that is 36 months from the Initial Issuance Date.

The Optionor hereby acknowledges and agrees that the Common Shares may be subject to restrictions on resale imposed by applicable securities laws and that the certificates representing the Common Shares may be endorsed with a legend to such effect, which legend will be in such form as may be required by applicable securities laws. The Optionor agrees to comply with such resale restrictions and to file such documents as may be required to be filed by the Optionor under applicable securities laws and to indemnify and hold harmless the Optionee in respect of any non-compliance therewith.

- (b) **Cash Payments:** The Optionor acknowledges that, concurrent with the execution of this Agreement, the Optionee made a cash payment of \$50,000 to a third party private company as consideration for assigning the right to the Option on the Property to the Optionee. The Optionee shall make three (3) additional cash payments (the “**Cash Payments**”) to the Optionor totalling \$175,000 in accordance with the following schedule:
- (i) \$30,000 on or before the date that is 12 months from the Initial Issuance Date;
  - (ii) \$45,000 on or before the date that is 24 months from the Initial Issuance Date; and
  - (iii) \$100,000 on or before the date that is 36 months from the Initial Issuance Date.
6. **Acceleration.** The Optionee at its sole discretion may make any of the Cash Payments and shares issuances described in Section 5 on dates that are earlier in time from the dates specified therein.
7. **Registration of Transfer.** Upon the full amount of the Cash Payments and share issuances having been paid and issued to the Optionor as set forth in Section 5, the Optionor shall deliver to the Optionee a signed transfer in proper registerable form, as prescribed under the Mining Act (“**Transfer**”) conveying and recording all of the Optionor's right, title and interest in the Property, free and clear of all Encumbrances (other than the Royalty) to the Optionee. The Transfer shall be prepared by and at the expense of the Optionee. The Optionee shall then be entitled, without further



notice, to register the Transfer, vesting one hundred percent (100%) interest in the Property to the Optionee. The Optionor shall also deliver any other required specific conveyances and copies of any required Third Party consents (if any) obtained by the Optionor with respect to the sale of the Property to the Optionee.

In the event that the Optionor fails to provide the Transfer and any other documents and materials required in order to transfer the Property as prescribed above, or otherwise breaches its covenants, obligations, representations or warranties under this Agreement, the Optionee shall be entitled to all of its legal remedies, including without limitation, specific performance and/or rescission and all costs and expenses (including legal fees on a solicitor–client basis).

8. **Termination of Option.** The Optionee does not, and will not at any time hereafter, have any obligation to make any of the Cash Payments or share issuances pursuant to Section 5 or to exercise the Option and nothing in this Agreement shall be construed as creating any such obligation. If the Optionee does not comply with all of its obligations under Section 5 of this Agreement, this Agreement and the Option will terminate and the Optionor will retain all Cash Payments and share issuances that have been made to it under Section 5 and the Optionee will not retain any interest in the Property.
9. **Delivery of Exploration Data.** The Optionor will, as soon as is practicable after the Effective Date, deliver to the Optionee copies of the Exploration Data which it has in its physical possession, and will cause to be made available at its then present location, any Exploration Data which is not then in the physical possession of the Optionor. If this Agreement is terminated prior to exercise of the Option in full, the Optionee shall immediately return all such materials to the Optionor.
10. **Working Rights.** During the currency of the Option, the Optionee shall have the sole and exclusive right to enter on and conduct the Mining Operations on the Property as the Optionee in its sole discretion may decide. The Optionee shall have quiet and exclusive possession of the Property from the date of this Agreement and thereafter while the Option remains in good standing, with full power and authority to the Optionee, its servants, agents, workers or contractors, to carry on Mining Operations in searching for Minerals in such manner as the Optionee in its discretion may determine, including the right to erect, bring and install on the Property all buildings, plant, machinery, equipment, tools, appliances or supplies as the Optionee shall deem necessary and proper and the right to remove therefrom reasonable quantities of rocks, ores and Minerals and to transport them for the purposes of sampling, metallurgical testing and assaying. All Mining Operations conducted by the Optionee shall be in accordance with good exploration, development and mining practice, and in compliance with all applicable legislation and health safety standards. All bulk samples and drill core, including any Minerals contained therein, extracted or otherwise recovered by the Optionee or taken from the Property by the Optionee in connection with the foregoing permitted activities shall be the property of the Optionee. The Optionee shall maintain adequate insurance coverage in respect of the Property at all times.
11. **Right of Offset; Third Party Claims**
  - (a) If the Optionor shall permit any Encumbrance to be imposed upon the Property, the Optionee at its option may, but shall not be obligated to, pay for and discharge any such Encumbrance and set off any such payment by withholding and retaining from the Cash Payments or share issuances due to the Optionor any amounts so paid by the Optionee, without prejudice to any right of the Optionee to recover from the Optionor the amount of such payment in any manner or by any remedy whatsoever and the Optionee shall have all of the rights and remedies against the Optionor which the mortgagor, lienor, creditor or encumbrancer had immediately prior to the time of such payment. Upon the request of the Optionee, the Optionor shall promptly make, execute, acknowledge and deliver to the

Optionee any and all instruments (in form and substance satisfactory to the Optionee) that the Optionee in its sole judgment may deem necessary or desirable to fully effectuate the provisions hereof.

- (b) If it appears that any person or entity not a party hereto may have a claim of ownership in the Property (an "**Adverse Claim**"), the Optionee, at its sole discretion, after written notice to Optionor, may suspend its obligation to make Cash Payments or share issuances hereunder or may deposit in an account payments equivalent to payments which may otherwise become due to the Optionor. Such deposit or deposits shall remain in such account and such Common Shares shall remain unissued until thirty (30) days after the claim or controversy is definitively resolved or settled by final court decision, by arbitration, negotiation or otherwise. If the Optionee is required or elects to make any payments to such persons or entities not a party hereto as a result of, or in settlement of, any such Adverse Claim, either by way of contract, settlement, compromise, final court judgment, or otherwise, the Optionor shall be obligated to reimburse the Optionee for all such damages and reimbursements which the Optionee is required to pay to such Third Party claimants. In the event the Optionor fails to timely reimburse the Optionee within thirty (30) days after receipt of notice from the Optionee that the Optionee has made any payment to any such Third Party claimants, the Optionee may recover from, or credit against, any Cash Payments or share issuances thereafter becoming due to the Optionor hereunder, the amount of such payments and all other costs and expenses (including solicitor fees on a full/substantial indemnity basis) paid or incurred by the Optionee as a result of any such Adverse Claim, accruing from the date that the Optionee made any payment to a Third Party.
  - (c) If a title dispute arises or develops with respect to all or any portion of the Property, the Optionee shall have the right, at its sole option, to relinquish to the Optionor the disputed portions or areas of the Property which are affected by the said title dispute.
  - (d) This Section shall be deemed cumulative and in addition to, and not in lieu of, any other remedy provided by law or in equity or otherwise provided in this Agreement.
12. **Optionor Indemnity.** The Optionor shall indemnify and save the Optionee harmless from and against all Losses and Liabilities in any way arising as a direct result of the activities of the Optionor on the Property prior to the Effective Date or arising from any non-fulfilment of any covenant or agreement or any breach of or incorrectness in any representation or warranty by or of the Optionor contained in this Agreement, provided that, the Optionee shall not be indemnified for any Losses and Liabilities resulting from the negligence or wilful misconduct of the Optionee or its employees, agents or contractors.
13. **Optionee Indemnity.** The Optionee shall indemnify and save the Optionor harmless from and against all Losses and Liabilities in any way referable to Mining Operations conducted on the Property during the term of this Agreement or arising from any non-fulfilment of any covenant or agreement or any breach of or incorrectness in any representation or warranty by or of the Optionee contained in this Agreement, provided that, the Optionor shall not be indemnified for any Losses and Liabilities resulting from the negligence or wilful misconduct of the Optionor or its employees, agents or contractors.
14. **Covenants of the Optionor.** During the term of this Agreement, the Optionor hereby covenants and agrees to:
- (a) promptly advise the Optionee of any facts that come to its attention that would cause any of the Optionor's representations and warranties herein contained to be untrue in any respect;
  - (b) take all reasonable action to preserve the Property and to maintain the status thereof;

- (c) promptly advise the Optionee in writing of any material adverse change in the condition of the Property;
  - (d) not create, incur or assume any charge or encumbrance upon the Property except in the ordinary course of business and only to the extent such charge or encumbrance is not materially adverse;
  - (e) not terminate or waive any right of substantial value in respect of the Property;
  - (f) take all reasonable actions within its control to ensure that the Optionor performs all of its obligations falling due under all material agreements relating to the Property to which the Optionor is a party or which is binding upon the Optionor;
  - (g) not enter into any agreement relating to the Property other than agreements made in the ordinary course of business consistent with past practices; and
  - (h) not, nor will it permit any of its affiliates, agents, consultants, advisors or representatives, to solicit, initiate, encourage or participate in any discussions or negotiations with any Third Party concerning any sale of any material portion of the Property prior to the as this Agreement may have been terminated, without first discussing such discussions or negotiations with the Optionee and obtaining the consent of the Optionee thereto.
15. **Covenants of the Optionee.** During the term of this Agreement, the Optionee hereby covenants and agrees to:
- (a) comply with all applicable laws, regulations, by-laws, rules, orders and ordinances whether federal, provincial or municipal, with respect to its Mining Operations hereunder;
  - (b) conduct all Mining Operations in accordance with Environmental Standards;
  - (c) conduct all Mining Operations and supervise the operation of all contractors and or sub-contractors in, on and under the Property in a careful manner and in accordance with good mining practice and in compliance with all applicable Laws and, without limiting the generality of the foregoing, the Optionee shall on the completion of its work or at the end of the term of this Agreement leave the Property in a safe condition with any and all openings safeguarded in accordance with the provisions of all applicable legislation, regulations and other Regulations affecting them;
  - (d) subject to the other provisions of this Agreement, the Optionee shall have complete discretion and control with respect to all Mining Operations carried out on the Property provided, however, that all Mining Operations on the Property shall be conducted in a manner which will cause the least damage and defacement practicable under the circumstances. All access roads shall be set out in consultation with the Optionor and both parties will make their best efforts to co-operate so as to enable the Optionee to conduct its operations in a reasonable manner while minimizing the damage and interference to the Property. The Optionee shall reimburse the Optionor or compensate it for all actual physical damage to the Property and actual damages to improvements, roads, wells, crops, timber, grass and livestock resulting from the Optionee's operations. Upon completion of its work or at the end of the term of this Agreement, the Optionee shall restore and remediate the Property in accordance with good mining practices so as to minimize permanent damage or interference with the Property;
  - (e) pay or cause to be paid all workmen's wages and for all materials, supplies and services delivered to or performed on or in respect of the Property, so as to avoid any woodman, builders, or construction liens from arising;
  - (f) pay all timber dues or other assessments or charges which may be levied or imposed under

any statutory provision or otherwise arising, as a consequence of the harvesting of any timber resources from the Property;

- (g) maintain the Property in good standing by doing all assessment work, recording all exploration and development work done on the Property in accordance with the requirements of the Mining Act and amendments thereto, paying all exploration license fees and by doing all other acts and things that may be necessary in that regard until the termination or expiration of this Agreement or the abandonment of rights and options granted hereunder;
  - (h) abide by all directions of the relevant Minister or any other governmental authority having jurisdiction over its operations hereunder; and
  - (i) maintain adequate liability and other insurance and if requested by Optionor, to provide evidence of same.
16. **Royalty.** Upon the conveyance and recording of the right, title and interest of the Optionor to the Optionee in and to the Property as a result of the exercise of the Option, the Optionee will reserve to the Optionor the Royalty calculated at two percent (2%) of the Net Smelter Returns on any mineral production from the Property, all as defined and calculated in accordance with the provisions of the Royalty Terms. The Optionor shall have the right to record against the Optionee's interest in and to the Property a short form notice respecting its reservation of the Royalty in form and content satisfactory to Optionee, acting reasonably; however, the Optionor agrees that it shall not record a copy of this Agreement against the interest or title for the Property. The Royalty Terms shall survive the exercise of the Option and continue in full force and effect.
17. **Abandonment.** The Optionee may at any time, prior to exercise of the Option, abandon any one or more of the mineral claims which comprise the Property, and such mineral claims shall upon notice to the Optionor be deemed to be thereafter excluded from the Property. After the Option is exercised and the Property is transferred into the name of the Optionee, the Optionee shall have the unfettered right at any time to surrender all or any of the mineral claims comprising the Property (the "**Surrendered Property**") by delivering a notice in writing of its intention to do so to the Optionor at least forty-five (45) days prior to the proposed surrender, such notice to list the proposed Surrendered Property. If, within thirty (30) days of receipt of such notice, the Optionor delivers to the Optionee a notice (the "**Reacquisition Notice**") stating its desire to reacquire one or more of the mineral claims comprising the Surrendered Property, the Optionee will transfer the mineral claims comprising such of the Surrendered Property to the Optionor as the Optionor has set forth in the Reacquisition Notice. Upon surrender of any of the Surrendered Property not re-transferred to the Optionor, the Optionee will have no further obligations in respect of the Surrendered Property.
18. **Assignment.** While this Agreement remains in effect, either Party may sell, assign or otherwise transfer all or part of its rights and obligations under this Agreement and the Property upon the written consent of the other, not to be unreasonably withheld, provided that if a Party wishes to sell, assign or otherwise transfer all or part of its rights under this Agreement, including any interest in the Property ("**Assignment**") to a purchaser, assignee or transferee ("**Assignee**") that is not a Party to this Agreement, then such Assignee shall enter into an agreement with the other parties to this Agreement concurrent with such Assignment containing:
- (a) a covenant of such Assignee to be bound by this Agreement to the same extent as if this Agreement had been originally executed by the assigning Party and the Assignee as joint and several obligors making joint and several covenants;
  - (b) a provision subjecting any further Assignment to the restrictions contained in this Section 18;

and the assigning Party shall thereupon be relieved from all obligations in respect of such part of its assigned interest which thereafter accrue under this Agreement.

19. **Buildings and Equipment:** In the event that the Optionee abandons the working right and Option granted to it herein, all buildings, plant, equipment, machinery, tools, appliances and supplies which the Optionee may have brought onto the Property, either before or during the period of the working right and option, may be removed by the Optionee at any time not later than nine (9) months after the abandonment of the working right and Option. Any buildings, plant, equipment, machinery, tools, appliances and supplies left on the Property during the nine (9) month period shall be at the Optionee's sole risk and, if not removed after the nine (9) month period, shall become the Property of the Optionor. During the currency of the Option, the Optionor shall not remove from the Property any of the Optionee's buildings, plant, equipment, machinery, tools, appliances and/or supplies.
20. **Information.** If the Optionee abandons the Option, the Optionee shall, on request, provide to the Optionor with a copy of all non-interpreted reports, maps, plans, drill logs and surveys of all work pertaining to the Property provided that the Optionee does not warrant the accuracy of such reports, maps, plans, drill logs and surveys and shall not be liable for any inaccuracies contained in them.
21. **Confidentiality.** Each Party agrees that all data, reports and information (both factual and interpretive) with respect to this Agreement, the Property, the activities of the parties (and any of their contractors, agents, employees and consultants) on or with respect to the Property and the results obtained as a result thereof (collectively, the "**Property Data**") will not be publicly disclosed, disseminated or released or used other than in connection with the activities of the parties contemplated hereunder except:
  - (a) as required by applicable Regulations or by the rules and regulations of any stock exchange having jurisdiction over a Party; or
  - (b) by a Party to those of its directors, officers and employees, and to any advisers or consultants who are under an obligation of confidentiality to the disclosing Party, who need to know the Property Data for the purposes of advising such Party in connection therewith; or
  - (c) with the written consent of the other Party, such consent not to be unreasonably withheld.Notwithstanding the above, neither Party will be liable to the other for the fraudulent or negligent disclosure of information by any of its employees, servants or agents, provided that such Party has taken reasonable steps to ensure the preservation of the confidential nature of such information.
22. **Press Releases.** Each Party shall review any press release that refers to this Agreement or the subject matter of this Agreement with the other Party prior to its release. For clarity, neither Party shall issue a press release that refers to this Agreement or the subject matter of this Agreement without prior written approval of the other Party. Each Party will take all reasonable efforts to send comments that it may have regarding any press release received from the other Party by email within twenty fours (24) hours of receipt of such press release.
23. **Notices.** All payments and communications which may be or are required to be given by either Party to the other shall (in the absence of any specific provision to the contrary) be in writing and delivered, faxed, emailed or sent by courier or prepaid registered mail to the parties, at their following respective addresses and fax numbers:

**Optionee:** **CellStop Systems Inc.**  
Suite 302, 1620 West 8<sup>th</sup> Avenue  
Vancouver, B.C. V6J 1V4

Fax No: (604) 639-4458  
e-mail: kchin@intrepidfinancial.ca

**Optionor:** **Metals Creek Resources Corp.**  
93 Edinburgh Avenue  
Gander, NL A1V 1C9

Fax No: (709) 256-6061  
e-mail: astares@metalscreek.com

And if any payment or communication is sent by courier or prepaid registered mail, it shall, be conclusively deemed to have been received on the third (3<sup>rd</sup>) business day following the mailing of it and, if delivered, emailed or telecopied, it shall be conclusively deemed to have been received at the time of delivery or transmission. Notwithstanding the foregoing provisions with respect to mailing, in the event that it may be reasonably anticipated that, due to any strike, lock-out or similar event involving an interruption in postal service, any payment or communication will not be received by the addressee by no later than the third business day following the mailing of it, then the mailing of any payment or communication must then be sent by an alternative means of transportation which it may reasonably be anticipated will cause the payment or communication to be received reasonably expeditiously by the addressee. Either Party may from time to time change its address by notice to the other in accordance with this paragraph.

24. **Time of the Essence.** Time shall be the essence in the performance of this Agreement.
25. **Benefit of Successors.** This Agreement shall enure to the benefit of and be binding on the parties and their respective heirs, executors, administrators, successors and assigns.
26. **Partial Invalidity.** If any provision of this Agreement is held to be invalid, illegal or unenforceable, the invalidity, illegality or unenforceability will not affect any other provision of this Agreement and this Agreement will be construed as if the invalid, illegal or unenforceable provision had never been contained herein unless the deletion of the provision would result in such material change to cause the completion of the transactions contemplated herein to be unreasonable.
27. **Counterparts.** This Agreement may be executed in one or more counterparts (including by way of facsimile or electronic transmission), each of which will be deemed an original instrument, and all counterparts together will constitute one and the same agreement.
28. **Amendments and Waivers.** No supplement, modification, waiver or termination of this Agreement will be binding unless executed in writing by the Party to be bound thereby. No waiver of any provision of this Agreement will be deemed or will constitute a waiver of any other provision hereof (whether or not similar) nor will a waiver constitute a continuing waiver unless otherwise expressly provided.
29. **Entire Agreement.** The provisions contained in any and all documents and agreements collateral hereto will at all times be read subject to the provisions of this Agreement and, in the event of conflict, the provisions of this Agreement will prevail. This Agreement supersedes all other

agreements, documents, writings and verbal understandings and expresses the entire agreement of the parties with respect to the subject matter hereof.

30. **Remedies Cumulative.** No reference to or exercise of any specific right or remedy by a Party hereunder will prejudice or preclude such Party from exercising or invoking any other remedy in respect thereof, whether allowed at law or in equity or expressly provided for herein. No such remedy will be exclusive or dependent upon any other such remedy but each Party may exercise any one or more of such remedies independently or in combination.
31. **Arbitration.** Unless otherwise provided for herein, any controversy, claim or disagreement by or between the parties shall be submitted to arbitration in accordance with the provisions of applicable arbitration legislation in force in the Province of Newfoundland and Labrador.
32. **Unavoidable Delays.** If either Party is prevented or delayed in complying with any provisions or satisfying any condition of this Agreement, other than the payment obligations of the Optionee, by reason of events beyond its control, including fire, land closures, the exigencies of nature, the action, inaction or refusal of any governmental agency to grant any authorization, approval, permit or consent to conduct exploration or other operations, or unusual delay in the processing or granting of such authorization, approval, permit or consent, environmental restrictions or approval, and acts of God but excluding the lack of funds, such Party may give notice to the other Party of the event, and upon notice all times herein provided for shall be extended by the period necessary to cure any such event and the Party affected shall use all reasonable means to do so promptly. No Party will be liable for its failure to perform any of its obligations under this Agreement (except for the payment obligations required hereunder, which will never be excused by the existence of an intervening event) due to an intervening event beyond its control as contemplated herein. A Party relying on the provisions hereof will take all reasonable steps to eliminate any such intervening event and, if possible, will perform its obligations under this Agreement as far as commercially practical, but nothing herein will require such Party to settle or adjust any labour dispute or to question or to test the validity of any law, rule, regulation or order of any duly constituted governmental authority or to carry out its obligations under this Agreement if an intervening event renders completion commercially impracticable. A Party relying on the provisions hereof will give written notice to the other Party as soon as such intervening event ceases, or is deemed to cease to, exist.
33. **Fees.** Except as otherwise provided for herein, each Party will be responsible for its own legal, accounting, consulting and other fees with respect to the transactions contemplated by this Agreement.

*[Signature page to follow.]*

IN WITNESS WHEREOF the Parties have executed this Agreement as of the Effective Date.


**CELLSTOP SYSTEMS INC.**

Per:  \_\_\_\_\_  
Signature

**Brian Tingle** \_\_\_\_\_  
Print Name

**July 29, 2020** \_\_\_\_\_  
Date

**METALS CREEK RESOURCES CORP.**

Per:  \_\_\_\_\_  
Signature

**Alexander Stares** \_\_\_\_\_  
Print Name

**July 29, 2020** \_\_\_\_\_  
Date



**SCHEDULE "A"**  
**PROPERTY**

The Clark's Brook Property consists of 31 claim units in one license (026731M) for a total of 7.7 sq. km (770 hectares). The license is held by the Optionor and will remain in good standing to August 1, 2028, subject to the payment of renewal fees on or before August 1, 2021 and on or before August 26, 2026, as applicable. The Clark's Brook Property is located in central Newfoundland near Northwest Gander River, approximately 25 kilometers west of the town of Glenwood. It is situated on NTS map sheet 02D/14. The Property is centered on UTM coordinates 614,950mE/5,407,000mN (NAD27 Zone 21) on NTS 02D/14.

<b>Registered Owner</b>	<b>Mapsheet</b>	<b>License Number</b>	<b>Recording Date</b>	<b>License Renewal Date</b>	<b>Status</b>	<b>Percent Option</b>
Metals Creek	02/D/14	026731M	08/01/2016	08/01/2021	Active	100%

**SCHEDULE "B"**  
**ROYALTY TERMS**

1. **Obligation to Pay the Royalty.** The Optionee will pay the Royalty to the Optionor in accordance with the terms and conditions described below.
  
2. **Definition of Net Smelter Returns.** The term "**Net Smelter Returns**" means the actual proceeds received by the Optionee following the Commencement of Commercial Production (as defined herein) from a smelter or other place of sale or treatment in respect of all ore removed by the Optionee from the Property ("**Mineral Products**") as evidenced by its returns or settlement sheets less the following permissible deductions that are incurred with respect to Mineral Products:
  - (i) sales, use, gross receipts, severance and other taxes, if any, payable with respect to severance, production, removal, sale or disposition of minerals from the Property but excluding any taxes on net income;
  - (ii) charges and costs, if any, for transportation from the mine or mill to places where the minerals from the Property are smelted, refined or sold (including freight, insurance, security charges, transaction taxes, import and export duties, levies, imposts, handling, port, demurrage, delay, stowage and forwarding expenses incurred by reason of or in the course of such transportation);
  - (iii) charges, costs (including handling, assaying, processing and sampling costs related to smelting and refining), and all penalties and impurity charges, if any, for smelting and refining; and
  - (iv) actual sales, marketing and brokerage costs;

provided that any cost or benefit of any hedging or fixed price contracts shall accrue to the party responsible for negotiating such contract and shall not be taken into account for the purposes of calculating the Net Smelter Returns. For greater certainty, and without limiting the generality of the foregoing, all charges properly deducted by an arm's length purchaser of ores or concentrates whether for smelting, treatment, handling, refining, storage or any other operations on or services relating to the Mineral Products that occur after the point of sale shall be considered to be permissible deductions in arriving at the amount of the Net Smelter Returns.

3. **Certain Characteristics of the Royalty.**
  - (a) The Optionor's interest in the Royalty is a non-participating interest in the Property. The Optionor agrees that the Royalty does not:
    - (i) entitle the Optionor to direct or control or be consulted in any manner with respect to the timing, nature, extent or any other aspect of exploration, development, production or other operations on the Property, which development may include quarrying or other activity that may substantially or completely destroy the surface or support for the surface;
    - (ii) entitle the Optionor to grant to Third Parties leases, licenses, easements or other rights to conduct operations on the Property;
    - (iii) entitle the Optionor to any partition of the Property; or
    - (iv) entitle the Optionor to any ownership interest in any improvements on the Property, equipment and other personal property located thereon, or in any proceeds received by the Optionee from the sale, lease or other disposition thereof, except that the

Optionor will be entitled to record/register a short form notice of the Royalty against interest/title to the Property.

- (b) All decisions concerning methods, the extent, times, procedures and techniques of any exploration, development, mining, leaching, milling, processing, extraction treatment, if any, and the materials to be introduced into the Property or produced therefrom, and all decisions concerning the sale or other disposition of Mineral Products (including, without limitation, decisions as to buyers, times of sale, whether to store or stockpile Mineral Products for a reasonable length of time without selling the same) shall be made exclusively by the Optionee, acting reasonably and in accordance with good mining and engineering practice in the circumstances.
  - (c) The Optionee shall not be responsible for nor obliged to make any Net Smelter Returns Royalty payments for Mineral Product values lost in any mining or processing of the Mineral Products conducted pursuant to customary mining practices. The Optionee shall not be required to mine or to preserve or protect the Mineral Products which under customary mining practices cannot be mined or shipped at a reasonable profit by the Optionee at the time mined.
  - (d) Notwithstanding anything in this Agreement, the Optionee will be under no obligation whatsoever to place the Property into commercial production and if the Property is placed into commercial production, the Optionee will have the unfettered right at any time to cease, curtail, suspend or terminate commercial production as the Optionee in its sole discretion deems advisable.
  - (e) In no event shall the Optionee have any liability to the Optionor as the result of the amount of revenues received by the Optionee from any forward sales or other hedging activities engaged in by the Optionee with respect to Mineral Products from the Property. In addition, the Optionee shall have no obligation, express or implied, to engage in (or not to engage in) any forward sales or other hedging activities with respect to Mineral Products from the Property.
4. **Commingling.** The Optionee shall have the right to commingle Mineral Products with ores, minerals or materials produced from lands other than the Property, after such Mineral Products have been weighed or measured, sampled and analyzed in accordance with sound mining and metallurgical practices such that the Royalty can be reasonably and accurately determined. Upon written request and reasonable notice by the Optionor to the Optionee and at the Optionor's risk and expense, subject at all times to the workplace rules and supervision of the Optionee, the Optionor shall have the right to have a representative present at the time all such samples and measurements are taken. The Optionor's representative shall have the right to secure sample splits for the purpose of confirming the accuracy of all measurements.

5. **Accounting and Payment of Royalty.**

- (a) While the Royalty remains payable hereunder, the Optionee shall not later than thirty (30) days after the end of each quarter of each calendar year render to the Optionor an interim statement of account in reasonable detail which statements shall be accompanied by the payment of the Royalty payable for the previous quarter. Each statement furnished to the Optionor shall be deemed to be correct and binding on the Optionor unless, within six (6) months of its receipt, the Optionor notifies the Optionee in writing that it disputes the correctness of such statement and specifies its objections in detail.
- (b) When all Minerals in any calendar year in which the Royalty remains payable have been sold and the revenues and expenditures determined, the Optionee shall, within sixty (60)

days after the termination of such calendar year, render a final statement of account in reasonable detail together with the payment of the balance if any, of the Royalty for such previous year.

- (c) If any amounts have been paid in excess of those to which the Optionor is entitled under the terms of this Agreement in any year, the equivalent amount shall be deducted from the next Royalty payment or payments. All payments not made to the Optionor within the time periods set forth herein shall bear interest at the prime rate plus one percent (1%).
6. **Audit.** The Optionee shall maintain true and correct records of all Mineral Products mined, processed and sold and all proceeds otherwise received from the Property, and the Optionor shall have the right to audit such records at the Optionee's offices during normal business hours upon reasonable prior notice, provided such audit is conducted by the Optionor or by an accounting firm of recognized standing, at least one of whose members is a member of the Canadian Institute of Chartered Accountants. The Optionee shall make available all books and records, refinery statements, and other invoices, receipts and records necessary for purposes of such audit, and shall make available work space and copying facilities, or permit the Optionor and its representatives to install copying facilities for use in connection with its audit activities. The Optionor shall pay for the audit, but if discrepancies of 5% or more are discovered, the Optionee shall pay for the full costs of the audit and any other reasonable out of pocket costs of the Optionor in arranging for the audit and having it reviewed by professionals.
7. **Method of Making and Reporting Payments.** All payments of money required to be made by the Optionee to the Optionor hereunder shall be made by cheque sent by pre-paid first class mail to the Optionor on or before the due date at the Optionor's last known address, or such other address as may be designated in writing from time to time by the Optionor. Upon written request from the Optionor to the Optionee not less than seven (7) days prior to the due date of any payment of money, the Optionor may direct that, instead of mailing a cheque, the payment be made by way of wire transfer to an account designated by the Optionor. Upon making payment as provided herein, the Optionee shall be relieved of any responsibility for the distribution of such payment among the Optionor. On request of the Optionor, the Optionee will furnish to the Optionor a statement of account setting forth in reasonable detail the computation of the Royalty.
8. **The Optionee's Buy-Down Right.** The Optionee or its assigns shall have the right at any time to purchase from the Optionor one percent (1%) of the two percent (2%) Royalty by way of a one time payment to the Optionor of the sum of \$1,000,000 in Canadian funds. Upon such purchase and payment being made, the Royalty shall thereafter be calculated as being reduced to one percent (1%) of the Net Smelter Returns. In order to exercise such right, the Optionee shall deliver a written notice to the Optionor to such effect and shall specify the date for the exchange of the said payment in exchange for a quit claim in form and substance satisfactory to the Optionee, acting reasonably, pursuant to which the Optionor acknowledges and agrees that the Royalty is reduced to one percent (1%) of the Net Smelter Returns. The Optionor shall deliver such quit claim to the Optionee within five (5) days of the receipt of the notice from the Optionee and against delivery of such quit claim, the Optionee shall remit to the Optionor the said sum of \$1,000,000 in Canadian funds. If the Optionor does not deliver such a quit claim to the Optionee within the said five (5) days, then, upon deposit by the Optionee of the said \$1,000,000 in Canadian funds to an account in the name of the Optionor, from and after such date, the Royalty shall be deemed to be equal to one percent (1%) of the Net Smelter Returns without any further or other act or formality on the part of either the Optionee or the Optionor. Moreover, in such event the Optionee shall be authorized and empowered to execute and deliver for and on behalf of the Optionor any and all deeds, documents, instruments and assurances, in the name of the Optionor or otherwise, as shall be reasonably required by the

Optionee to evidence the reduction of the Royalty. Such power of attorney being coupled with an interest shall not be revoked by any subsequent insolvency or incapacity of either of the Optionor.

9. **Commercial Production.** "**Commencement of Commercial Production**" means the commercial exploitation of Mineral Products from the Property, or any part, as a mine, but does not include milling for the purposes of testing or milling by a pilot plant.
10. **Subordination.** The payment of any amount pursuant to this Royalty shall be paramount to and have priority over the payment of any amount pursuant to any other existing royalty with respect to the Property.
11. **Arbitration.** Unless otherwise provided for herein, any dispute or differences between the parties hereto concerning the Royalty which cannot be resolved or settled by the said parties shall be settled by final and binding arbitration in accordance with the provisions of applicable arbitration legislation in force in the Province of Newfoundland and Labrador.