

OPTION AGREEMENT

THIS OPTION AGREEMENT (this "Agreement") is dated effective as of the 15 day of October, 2012.

BETWEEN:

BCGOLD CORP., a company incorporated under the British Columbia *Business Corporations Act* and having a business address at Suite 520 - 800 West Pender Street, Vancouver, British Columbia V6C 2V6

(the "Optionor")

AND:

KAIYUE INTERNATIONAL INC., a company incorporated under the Alberta *Business Corporations Act* and having a business address c/o 150-6th Avenue SW, Calgary, Alberta T2P 3Y7

(the "Optionee")

WHEREAS:

A. The Optionor is the sole registered and beneficial owner of 76 Yukon Quartz Mining claims covering an area of approximately 1,587 hectares located in the Yukon Territory, Yukon Territory, Whitehorse Mining Division, as more particularly described in Schedule "A" hereto, in the Carmacks Copper-Gold Belt, and known as the "Toe Property"; and

B. The Optionor wishes to grant to the Optionee an exclusive right and option to acquire up to a 70% interest in and to the Property, subject to the terms and conditions hereinafter set out.

NOW THEREFORE THIS AGREEMENT WITNESSES that, in consideration of the mutual covenants and agreements contained in this Agreement and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the parties agree as follows:

**PART 1
INTERPRETATION**

1.1 In this Agreement the following words and phrases have the following meanings:

"Acceptance Date" means the date of issuance of the Final Exchange Bulletin (as defined in Exchange policies) for the Optionee's Qualifying Transaction.

"Additional Rights" has the meaning ascribed to it in Section 6.2.



"Additional Option" has the meaning ascribed to it in Section 2.3.

"Affiliate" means any Person that controls, is controlled by, or is under common control with, a party hereto.

"Area of Interest" has the meaning ascribed to it in Section 6.1.

"Business Day" means a day other than Saturday, Sunday or a statutory holiday in British Columbia.

"Claims" means the mining and mineral claims described in Schedule "A" hereto.

"Closing" means the closing of the Transaction.

"Closing Date" means the date of the Closing.

"Commercial Production" means the operation of the Property, or any portion thereof, as a producing mine and the production of mineral products therefrom (excluding bulk sampling, pilot plant and test operations.)

"Confidential Information" has the meaning ascribed to it in Section 16.1.

"Consideration Shares" has the meaning ascribed to it in Section 2.1(b).

"control" means the right to exercise, directly or indirectly, more than fifty percent of the voting rights attributable to the controlled Person.

"Environmental Claims" means any and all administrative, regulatory or judicial actions, suits, demands, claims, liens, notices of non-compliance or violation, investigations or proceedings relating in any way to any Environmental Law or any permit issued under any Environmental Law, including, without limitation:

- (a) any and all claims by government or regulatory authorities for enforcement, clean-up, removal, response, remedial or other actions or damages under any applicable Environmental Law;
- (b) any and all claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive or other relief; and
- (c) any and all claims resulting from hazardous materials, including any release of those claims, or arising from alleged injury or threat of injury to human health or safety (arising from environmental matters) or the environment.

"Environmental Laws" means all requirements of the common law, civil code or of environmental, health or safety statutes of any agency, board or governmental authority, including, but not limited to, those relating to:

- (a) noise;
- (b) pollution or protection of the air, surface water, ground water or land;



- (c) solid, gaseous, or liquid waste generation, handling, treatment, storage, disposal or transportation;
- (d) exposure to hazardous or toxic substances; or
- (e) the closure, decommissioning, dismantling, or abandonment of any facilities, mines or workings and the reclamation or restoration of lands.

"Exchange" means the TSX Venture Exchange.

"Joint Venture Agreement" has the meaning ascribed to it in Section 2.15.

"Insurance" - means such insurance as is necessary to cover items such as forest fires, liability, including non-owned aviation insurance and pollution claims.

"Letter Agreement" means the letter agreement dated July 25, 2012 between the Optionor and the Optionee;

"NSR Royalty" means the 2.5% net smelter returns royalty (inclusive of all Underlying Royalties) of the actual proceeds received by the Optionee from a smelter or other place of sale or treatment with respect to all ore, concentrates or other mineral products from Commercial Production at, on or under the Property, as evidenced by its returns or settlement sheets after deducting from the said proceeds all freight or other transportation costs from the shipping point to the smelter or other place of sale or treatment, as further described in Part 5.

"Option" has the meaning ascribed to it in Section 2.1.

"Option Period" means the period from the date of this Agreement to and including the date of exercise or termination of the Option.

"Person" means an individual, corporation, body corporate, partnership, joint venture, association, trust or unincorporated organization or a trustee, executor, administrator or other legal representative.

"Property" means the mining and mineral claims as described in Schedule "A" hereto and shall include any additional claims that become part of the Property pursuant to Part 6, including any mineral claims staked within the Property and all mining leases and other mining interests derived from any such mineral claims.

"Qualifying Transaction" has the meaning set forth in Exchange Policy 2.4 - *Capital Pool Companies*.

"Shares" means common shares in the capital of the Optionee.

"Technical Data" means all geological, geophysical, geochemical, assay, drilling and other reports and data in written or digital form, dealing in any way with the exploration or evaluation of the Property, including estimates of development, mining and process costs of a potential operation;

"Transaction" means the grant of the Option and the Additional Option by the Optionor to the Optionee in accordance with the terms hereof;

"U.S. Person" has the meaning ascribed to it in Section 3.1(b).

"U.S. Securities Act" has the meaning ascribed to it in Section 3.1(b).

"Underlying Royalties" means the underlying royalties with respect to the Property, as described in Schedule "B" hereto.

"Work Costs" means all expenditures and costs incurred by the Optionee relating directly or indirectly to the Property, including all expenditures and costs incurred: (a) in doing geophysical, geochemical, land, airborne, environmental and geological examinations, assessments, assays, audits and surveys; (b) in linecutting, mapping, trenching and staking; (c) in searching for, digging, trucking, sampling, working, developing, mining and extracting ores, minerals and metals; (d) in conducting diamond and other drilling; (e) in obtaining, providing, installing and erecting mining, milling and other treatment plant, ancillary facilities, buildings, machinery, tools, appliances and equipment; (f) in constructing access roads and other facilities on or for benefit of the Property or any part thereof; (g) in transporting personnel, supplies, mining, milling and other treatment plant, ancillary facilities, buildings, machinery, tools, appliances and equipment in, to or from the Property or any part thereof; (h) in paying reasonable wages and salaries (including "fringe benefits", but excluding home office costs) of personnel directly engaged in performing work on or with respect to the Property; (i) in paying assessments and contributions under applicable employment legislation relating to workers' compensation and unemployment insurance and other applicable legislation relating to such personnel; (j) in supplying food, lodging and other reasonable needs for such personnel; (k) in obtaining and maintaining any Insurance; (l) in obtaining legal, accounting, consulting and other professional services or facilities relating to work performed or to be performed hereunder; (m) in paying taxes, fees, charges, payments and rentals (including payments made in lieu of assessment work) or otherwise incurred to transfer the Property or any part thereof or interest therein pursuant to this Agreement and to keep the Property or any part thereof in good standing; (n) in paying social services tax and all other taxes, excluding goods and services tax or harmonized sales tax, charged on expenditures made or incurred by the Optionee relating directly or indirectly to the Property; (o) in acquiring access and surface rights to the Property; (p) in carrying out any negotiations and preparing, settling and executing any agreements and other documents relating to environmental or indigenous peoples' claims, requirements or matters; (q) in obtaining all necessary or appropriate approvals, permits, consents and permissions relating to the carrying out of work, including environmental permits, approvals and consents; (r) in carrying out reclamation and remediation; (s) in improving, protecting and perfecting title to the Property or any part thereof; (t) in carrying out mineral, soil, water, air and other testing; and (u) in preparing engineering, geological, financing, marketing and environmental studies and reports and test work related thereto.

1.2 The following are Schedules to this Agreement:

Schedule "A" - Description of the Claims

Schedule "B" - Description of Underlying Royalties



- (a) For the purposes of this Agreement, except as otherwise provided herein;
- (b) **"this Agreement"** means this Agreement, including the Schedule, as it may from time to time be supplemented or amended and in effect;
- (c) the words **"herein"**, **"hereof"** and **"hereunder"** and other words of similar import refer to this Agreement as a whole and not to any particular Section, paragraph, subparagraph, clause or sub clause of this Agreement so designated;
- (d) a reference to a Part or Section followed by a number or some combination of numbers and letters refers to the Part or Section of this Agreement so designated;
- (e) words importing the masculine gender include the feminine or neuter, words in the singular include the plural, words importing a corporate entity include individuals, and vice versa;
- (f) the headings to the Parts of this Agreement are inserted for convenience only and do not form part of this Agreement and are not intended to interpret, define or limit the scope, extent or intent of this Agreement or any provision hereof;
- (g) the word **"or"** is not exclusive and the word **"including"**, when following a general statement, term or matter, is not to be construed as limiting such general statement, term or matter to the specific items or matters set forth or to similar items or matters (whether or not qualified by non-limiting language such as **"without limitation"** or **"but not limited to"** or other words of similar import) but, rather, as permitting the general statement or term to refer to all other items or matters that could reasonably fall within its possible scope;
- (h) a reference to a statute includes and is a reference to such statute and to the regulations made pursuant thereto with all amendments made thereto and in force from time to time, and to any statute or regulations that may be passed that have the effect of supplementing or superseding such statute or such regulations; and
- (i) all dollar amounts expressed herein refer to lawful currency of Canada.

PART 2 OPTION

2.1 Subject to the terms and conditions set out in this Agreement, the Optionor hereby grants to the Optionee the sole and exclusive right and option (the **"Option"**) to earn up to an undivided 60% interest in and to the Property and in all right of the Optionor with respect thereto free and clear of all liens, charges and encumbrances by:

- (a) the Optionee paying to the Optionor a total of \$255,000 (the **"Cash Payments"**), as follows:
 - (i) \$25,000 on the date of execution of the Letter Agreement (which amount has been paid);

- (ii) \$25,000 on or before the date which is one year from the Acceptance Date (the "First Anniversary Date"),
 - (iii) \$55,000 on or before the date which is two years from the Acceptance Date (the "Second Anniversary Date"),
 - (iv) \$50,000 on or before the date which is three years from the Acceptance Date (the "Third Anniversary Date"), and
 - (v) \$100,000 on or before the date which is four years from the Acceptance Date (the "Fourth Anniversary Date");
- (b) the Optionee allotting and issuing to the Optionor, as fully paid and non-assessable, a total of 400,000 Shares (the "Consideration Shares"), as follows:
- (i) 100,000 Shares on the Acceptance Date,
 - (ii) 100,000 Shares on or before the First Anniversary Date, and
 - (iii) 200,000 Shares on or before the Second Anniversary Date; and
- (c) the Optionee incurring no less than \$1,900,000 in Work Costs, as follows:
- (i) \$200,000 on or before the First Anniversary Date,
 - (ii) \$400,000 on or before the Second Anniversary Date,
 - (iii) \$650,000 on or before the Third Anniversary Date, and
 - (iv) \$650,000 on or before the Fourth Anniversary Date.
- 2.2 Upon acquisition of the Option, the Optionee will obtain the Insurance and will designate the Optionor as a named beneficiary under such Insurance.
- 2.3 Upon earning a 60% interest in and to the Property in accordance with Section 2.1, the Optionee may earn an additional 10% undivided interest in and to the Property (the "Additional Option") by completing a feasibility study on or before the Fourth Anniversary Date.
- 2.4 Work Costs shall be deemed to have been incurred by the Optionee when the Optionee has expended funds or has received goods or services from third parties for which the Optionee has obligation to make payment, whether or not payment has been made. A certificate of an officer of the Optionee setting forth the Work Costs incurred by the Optionee in reasonable detail shall be *prima facie* evidence of the same.
- 2.5 Work Costs incurred by the Optionee exceeding the amount of Work Costs required to be incurred within any period shall be carried forward to the succeeding period and qualify as Work Costs for such succeeding period. If the Work Costs incurred are less than the amount of the Work Costs required to be incurred in any period, the Optionee may, at its

option, pay the deficiency to the Optionor in cash within sixty (60) days after the end of such period in order to maintain the Option. Any such payment of cash in lieu shall be deemed to be Work Costs incurred on the Property on or before the relevant date for purposes of this Part 2.

- 2.6 If the Optionee reasonably believes that it has incurred Work Costs required to be incurred by the Optionee in any period in order to maintain the Option, but it is subsequently determined upon the examination or audit by either party (for which such party shall have free access to all relevant information) that such Work Costs were not incurred within such period, the Optionee shall not lose any of its rights hereunder and the Option shall not terminate, provided that the Optionee pays to the Optionor such deficiency in Work Costs within thirty (30) days following such determination (if determined by the Optionee) or within thirty (30) days following notice to the Optionee of such deficiency (if determined by the Optionor), and the payment of such deficiency in Work Costs shall be deemed to be Work Costs incurred by the Optionee for purposes of this Agreement.
- 2.7 Nothing in Section 2.1 (with the exception of Sections 2.1(a)(i) and 2.1(b)(i)) will obligate the Optionee to pay any money to the Optionor, issue any of the Consideration Shares to the Optionor, and the Optionee may at any time terminate the Option in accordance with Part 13, in which event it will have no further obligations hereunder.
- 2.8 The Optionor acknowledges that the first tranche of the Consideration Shares will be subject to such resale restrictions and hold periods as may be imposed by applicable securities legislation and the policies of the Exchange, however the second and third tranches of the Consideration Shares shall not be subject to resale restrictions.
- 2.9 If the Optionee makes the Cash Payments, issues the Consideration Shares and incurs the Work Costs as described in Section 2.1(a) to (c), it will, without further act or payment, have, and be deemed for all purposes to have, exercised the Option and earned a 60% interest in and to the Property and upon the incurring of the costs and expenses as described in Section 2.3, it will, without further act or payment, have, and be deemed for all purposes to have, exercised the Additional Option and earned an additional 10% interest in and to the Property, for a total aggregate interest of 70% in and to the Property.
- 2.10 If and when the Option has been exercised, an undivided 60% right, title and interest in and to the Property will thereupon vest in the Optionee free and clear of all claims, liens, security interests, charges and encumbrances.
- 2.11 If and when the Option and the Additional Option have been exercised, an undivided 70% right, title and interest in and to the Property will thereupon vest in the Optionee free and clear of all claims, liens, security interests, charges and encumbrances.
- 2.12 Upon the Optionee being deemed to have earned either a 60% or 70% undivided interest in the Property pursuant to Sections 2.1 and 2.2, as applicable, the Optionor will deliver to the Optionee or such Person as the Optionee directs, duly executed transfers of the Property in the form required under the laws of the Province of British Columbia to

transfer the interest in the Property acquired by the Optionee, with applicable fees and costs to be borne by the Optionee.

- 2.13 The Optionee may at any time during the Option Period elect to abandon any one or more of the Claims by giving notice to the Optionor of such intention. Any Claims so abandoned shall be in good standing under the laws of the jurisdiction in which they are situate for at least six (6) months from the date of abandonment. Upon any such abandonment, the Claims so abandoned shall for all purposes of this Agreement cease to form part of the Property and, if title to such Claims has been transferred to the Optionee, the Optionee shall retransfer such title to the Optionor at the Optionee's expense.
- 2.14 Between the date of this Agreement and the exercise of the Option, each of the parties to this Agreement will promptly notify the other party in writing if it becomes aware of any fact or condition that causes or constitutes a material breach of any of its representations and warranties as of the date of this Agreement, or if it becomes aware of the occurrence after the date of this Agreement of any fact or condition that would cause or constitute a material breach of any such representation or warranty had such representation or warranty been made as of the time of occurrence or discovery of such fact or condition. During the same period, each party will promptly notify the other parties of the occurrence of any material breach of any of its covenants in this Agreement or of the occurrence of any event that may make the satisfaction of such conditions impossible or unlikely.
- 2.15 Upon the Optionee being deemed to have earned a 60% undivided interest in the Property pursuant to Section 2.1, the Optionee and the Optionor shall enter into a joint venture agreement, on terms to be mutually agreed to by the Optionor and the Optionee prior to such time (the "Joint Venture Agreement"), for the purpose of further exploration and development work on the Property and, if warranted, the operation of one or more mines on the Property.
- 2.16 The Optionee shall serve as the initial operator under the Joint Venture Agreement.

PART 3
REPRESENTATIONS, WARRANTIES AND COVENANTS

- 3.1 The Optionor hereby represents and warrants to and covenants with the Optionee that:
- (a) it has, and will continue to have during the Option Period, full power and authority to enter into this Agreement and any instrument referred to or contemplated by this Agreement, and to carry out the transactions contemplated herein;
 - (b) it is not a non-resident of Canada for the purposes of the Income Tax Act (Canada) and is not a "U.S. Person" (as that term is defined in Regulation S under the United States Securities Act of 1933, as amended (the "U.S. Securities Act");
 - (c) it has duly obtained all necessary corporate and other authorizations for its execution and performance of this Agreement, and the consummation of the transactions contemplated herein will not, with the giving of notice or the passage



of time, or both, result in a breach of, constitute a default under, or result in the creation of any encumbrance on its assets under, the terms or provisions of any law applicable to it, its constating documents, any resolution of its directors or shareholders, or any indenture, agreement or other instrument to which it is party or by which it or its assets may be bound;

- (d) it is duly organized, validly existing and in good standing under its applicable laws of incorporation and has all requisite corporate power and authority to own its properties and carry on its business as now being conducted;
- (e) the execution, delivery and performance of this Agreement and the matters contemplated herein have been duly authorized by all necessary corporate action and no other corporate proceedings are necessary to authorize this Agreement and the matters contemplated herein;
- (f) this Agreement, subject to receiving the requisite approval of the Exchange, constitutes a legal, valid and binding obligation of the Optionor except (i) as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws of general application affecting enforcement of creditors' rights generally and (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies;
- (g) it is a "reporting issuer" under the securities legislation of the provinces of British Columbia and Alberta, is in compliance with all continuous disclosure obligations thereunder, and is not in default of such legislation or any regulation thereunder;
- (h) it is, and up to and including the time of transfer to the Optionee of its interest in the Claims comprising the Property pursuant to the exercise of the Option it will be, the sole registered and beneficial owner of the Property free and clear of all claims, liens, security interests, charges and encumbrances of others and no taxes or rentals are or will be due in respect of any of the Claims;
- (i) it has the exclusive right to enter into this Agreement and, upon the exercise of the Option, will have all necessary authority to transfer and dispose of up to a 70% interest in and to the Property in accordance with the terms of this Agreement;
- (j) the Claims comprising the Property are accurately described in Schedule "A", have been duly and validly located and recorded, are free and clear of all claims, liens, security interests, charges and encumbrances, other than the Underlying Royalties, and are, and upon the exercise of the Option will be, in good standing under the laws of the jurisdiction in which they are located;
- (k) it has paid all fees, taxes, assessments, rentals, levies or other payments required to be made to keep the Property in good standing;
- (l) there are no actions, suits, investigations or proceedings before any court, arbitrator, administrative agency or other tribunal or governmental authority, whether current, pending or threatened, which, directly or indirectly, relate to or



affect the Property or the interest of the Optionor therein, nor is the Optionor aware of any acts that would lead it to suspect that the same might be initiated or threatened;

- (m) there are no outstanding agreements or options to acquire or purchase the Property or any portion thereof or any interest therein;
- (n) no Person, other than the Optionee pursuant to the provisions hereof, has any proprietary or possessory interest in the Property, or royalty or other interest whatsoever in production or profits earned from the Property, other than the interests of certain persons in the Underlying Royalties;
- (o) no proceedings are pending for, and it is not aware of any basis for the institution of any proceedings leading to, its dissolution or winding up, or the placing of it into bankruptcy or subjection to any other laws governing the affairs of insolvent persons;
- (p) it is legally entitled to hold its interest in the Property and the licenses, permits, easements, rights of way, certificates and other approvals now held or hereafter acquired by it and necessary for the exploration of the Property, and will remain so entitled for so long as it holds any interest in the Property;
- (q) the Property does not contain any hazardous or toxic material, pollution or other adverse environmental conditions that may give rise to any environmental liability under any applicable Environmental Laws, regulations, rule or by-law, and the Optionor has not received, nor is it aware of any pending or threatened, notice of non-compliance with any environmental law, regulation, rule or by-law;
- (r) during the period that the Optionor has been the owner of the Property, the Property has been operated in accordance with all applicable Environmental Laws and there are no environmental conditions existing in the Property to which any remedial action is required or any liability has been or may be imposed under applicable Environmental Laws;
- (s) it has not received from any government agency or authority any notice of, or communication relating to, any actual or alleged Environmental Claims, and there are no outstanding work orders or actions required to be taken relating to environmental matters respecting the Property or any operations carried out on the Property;
- (t) it has duly filed all reports and returns required to be filed with governmental authorities and has obtained all governmental permits and other governmental consents, except as may be required after the execution of this Agreement, and all of such permits and consents are in full force and effect, and no proceedings for the suspension or cancellation of any of them, and no investigation relating to any of them, is pending, or to the knowledge of the Optionor, threatened and none of them will be adversely affected by the entry into this Agreement or the Transaction;

- (u) it has held the Property in material compliance with all laws, rules, statutes, ordinances, orders and regulations and the Optionor has not received any notice of any violation thereof, nor is the Optionor aware of any valid basis therefore;
- (v) there is no adverse claim or challenge against or to the ownership of, or title to, any part of the Claims or the Property and, to the knowledge of the Optionor, there is no basis for such adverse claim or challenge which may affect the Claims or the Property;
- (w) no filing or registration with, no notice to and no permit, authorization, consent, or approval of any public or governmental body or authority or other Person is necessary for the exercise of the Option contemplated by this Agreement or to enable the Optionor to enter into this Agreement and grant the Option to the Optionee to acquire up to a seventy percent (70%) interest in the Property on the exercise of the Option;
- (x) the Claims are not subject to any mining royalties imposed by the Yukon Territory, or any federal, municipal or local authority;
- (y) until the earlier of the exercise of the Option or the termination of this Agreement, the Optionor will not, without the prior written consent of the Optionee, allow the Property to become subject to any claims, liens, security interests, charges and encumbrances of any nature or kind whatsoever or enter into any agreement (whether written or verbal) that may result in the creation of any such claims, liens, security interests, charges and encumbrances or otherwise restrict in any manner whatsoever the exercise of the Option by the Optionee as contemplated by this Agreement, except for any encumbrances arising from the activities of the Optionee; and
- (z) it is not aware of any facts relating to the Property that, if known to the Optionee, could reasonably be expected to cause the Optionee to decide not to enter into this Agreement or not proceed to exercise the Option and the Optionor has advised the Optionee of all of the material information relating to the mineral potential of the Claims of which it has knowledge.

3.2 The representations, warranties and covenants contained in Section 3.1 are provided for the exclusive benefit of the Optionee and any misrepresentation or breach of warranty or covenant may be waived by the Optionee in whole or in part at any time without prejudice to its rights in respect of any other misrepresentation or breach of the same or any other representation, warranty or covenant; and the representations, warranties and covenants contained in Section 3.1 will survive the execution hereof and continue through the Option Period and for two years thereafter.

3.3 The Optionee hereby represents and warrants to the Optionor that:

- (a) it has, and will continue to have during the Option Period, full power and authority to carry on its business and to enter into this Agreement and any

instrument referred to or contemplated by this Agreement and to carry out the transactions contemplated herein;

- (b) it is duly organized, validly existing and in good standing under its applicable laws of incorporation and has all requisite corporate power and authority to own its properties and carry on its business as now being conducted;
- (c) it is a "reporting issuer" under the securities legislation of the provinces of British Columbia and Alberta, is in compliance with all continuous disclosure obligations thereunder, and is not in default of such legislation or any regulation thereunder;
- (d) it is a CPC, as defined in Exchange Policy 2.4;
- (e) the Shares are listed on the Exchange, however the Optionee has been notified by the Exchange that: (i) it is in default under the Form 2D Listing Agreement with the Exchange because of its failure to complete its Qualifying Transaction in accordance with timeframes set forth in Exchange Policy 2.4, and (ii) the listing of the Shares will be transferred to NEX in the event that the Acceptance Date has not occurred by November 12, 2012;
- (f) it has duly obtained all necessary governmental, corporate and other authorizations for its execution and performance of this Agreement, and the consummation of the transactions contemplated herein will not, with the giving of notice or the passage of time, or both, result in a breach of, constitute a default under, or result in the creation of any encumbrance on its assets under, the terms or provisions of any law applicable to it, its constating documents, any resolution of its directors or shareholders, or any indenture, agreement or other instrument to which it is party or by which it or its assets may be bound;
- (g) the execution, delivery and performance of this Agreement and the matters contemplated herein have been duly authorized by all necessary corporate action and no other corporate proceedings are necessary to authorize this Agreement and the matters contemplated herein; and
- (h) this Agreement, subject to receiving the requisite approval of the Exchange, constitutes a legal, valid and binding obligation of the Optionee except (i) as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws of general application affecting enforcement of creditors' rights generally and (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies.

3.4 The representations and warranties contained in Section 3.3 are provided for the exclusive benefit of the Optionor and any misrepresentation or breach of warranty may be waived by the Optionor in whole or in part at any time without prejudice to its rights in respect of any other misrepresentation or breach of the same or any other representation or warranty; and the representations and warranties contained in Section



3.3 will survive the execution hereof and continue through the Option Period and for two years thereafter.

**PART 4
ENVIRONMENTAL INDEMNIFICATION**

- 4.1 The Optionor agrees to indemnify and save the Optionee harmless from and against any Environmental Claim suffered or incurred by the Optionee arising directly or indirectly from any operations or activities conducted in or on the Property, whether by the Optionor or others, prior to the date of execution of this Agreement.
- 4.2 The Optionee agrees to indemnify and save the Optionor harmless from and against any Environmental Claim suffered or incurred by the Optionor arising directly or indirectly from any operations or activities conducted on the Property, whether by the Optionee, its employees or agents, after the date of execution of this Agreement.
- 4.3 The provisions of this Part 4 shall survive any termination of this Agreement.

**PART 5
NET SMELTER RETURNS ROYALTY**

- 5.1 At the Closing, the Optionee will enter into a royalty agreement with the Optionors whereby the Optionee will grant the NSR Royalty to the Optionors with respect to proceeds received from any mint, smelter, refinery or other purchaser from the sale of minerals, concentrates, metals (including bullion) or other products from the Property, with the NSR Royalty to be payable by the Optionee following commencement of Commercial Production on the Property. The calculation and payment of the NSR Royalty under this Agreement shall be made on the following terms:
- (a) the NSR Royalty due and payable to the Optionors shall be paid within ninety (90) days after receipt of the said actual proceeds by the Optionee;
 - (b) within one hundred and twenty (120) days after the end of each fiscal year of the Optionee during which the Property was in Commercial Production, the records relating to the calculation of the NSR Royalty during that fiscal year shall be audited and any adjustments shall be made forthwith. The audited statements shall be delivered to the Optionors who shall have sixty (60) days after receipt of such statements to question in writing their accuracy and, failing such question, the statements shall be deemed to be correct;
 - (c) the Optionors shall have the right at all reasonable times, upon written request, to inspect such books and financial records of the Optionee as are relevant to the determination of the NSR Royalty and at their own expense, to make copies thereof; and
 - (d) payment of the NSR Royalty shall apply only to Commercial Production conducted on, in or under the Property.
- 5.2 The Optionor agrees that the NSR Royalty will be inclusive of all Underlying Royalties.

5.3 If the Optionors receive an offer (the "**Third Party Offer**") from a third party purchaser (the "**Proposed Purchaser**") to acquire all or any portion of the NSR Royalty, whether alone or as part of another transaction, and the Optionors wish to accept the Third Party Offer, then, prior to acceptance of the Third Party Offer and any sale of all or any portion of the NSR Royalty, the Optionors must first cause to be delivered to the Optionee an offering notice (the "**Notice**"), offering to sell the NSR Royalty to the Optionee on the same terms as set forth in the Third Party Offer. The Notice will state that the offer is irrevocable and will include a complete copy of the Third Party Offer, including the name of the Proposed Purchaser. The offer made by the Optionors to the Optionee in the Notice will be irrevocable and may not be withdrawn by the Optionors during the period beginning on the date of the receipt of a Notice by the Optionee and ending sixty (60) days after such date (the "**Offering Period**"). If, during the Offering Period, the Optionee wishes to accept the offer on the terms set forth in the Notice, then, prior to the end of the Offering Period, the Optionee must deliver written notice to the Optionors stating that the Optionee accepts the offer contained in the Notice (the "**Acceptance**"). If the Optionors do not receive an Acceptance from the Optionee prior to the end of the Offering Period, then the Optionee will be deemed to have refused the offer. If the Optionee accepts the offer, then the Optionors will sell, assign, transfer or option the NSR Royalty to the Optionee, and the Optionee will acquire the NSR Royalty on the terms specified in the Notice as will be set out in a binding contract with respect to the NSR Royalty to be entered into between the Optionors and the Optionee. The disposition of the NSR Royalty to the Optionee contemplated by this Section 5.2 will be completed on such date as the Optionors and the Optionee may agree and, failing such agreement, on the first Business Day that is thirty (30) days following the Optionors' receipt of the Acceptance from the Optionee. If the Optionors do not receive the Acceptance before the end of the Offering Period, then the Optionors may complete the sale with the Proposed Purchaser as provided for in the Third Party Offer in strict accordance with the terms set forth in the Third Party Offer. If the sale to the Proposed Purchaser is not so completed, then any subsequent sale to any Person may be made only if all of the requirements of this Section 5.2 are again complied with, and this Section 5.2 will survive and continue in full force and effect.

PART 6 AREA OF INTEREST

- 6.1 The "**Area of Interest**" is defined as the area located within one (1) kilometre from any portion of the exterior boundaries of the Property, as such exterior boundaries exist on the date of this Agreement.
- 6.2 If the Optionor or the Optionee, or an Affiliate or permitted assign of the Optionor or the Optionee, directly or indirectly stakes or otherwise acquires any rights to minerals located wholly or partially within or contiguous to the Area of Interest (the "**Additional Rights**"), it must provide written notice to the other party of such acquisition, the costs of such acquisition and all details in its possession of the potential regarding such rights, and the non-acquiring party will have the election, to be exercised within thirty (30) days of the receipt of the notice of such Additional Rights, whether to include the Additional Rights in the Property (whether such rights are contained wholly within the Area of Interest or only partially within the Area of Interest).



- 6.3 If the non-acquiring party elects to have the Additional Rights included in the Property then:
- (a) if the Additional Rights were acquired by the Optionee, or an Affiliate or permitted assign of the Optionee, such rights will be transferred to the Optionor on termination of this Agreement in accordance with Part 13, subject to Section 6.4;
 - (b) if the Additional Rights were acquired by the Optionor, such rights will be optioned to the Optionee as part of the Property without additional consideration being demanded from the Optionee, subject to Section 6.4; and
 - (c) the non-acquiring party shall reimburse the other party for that portion of the costs of such acquisition which is equivalent to its respective interest.
- 6.4 If any of the Additional Rights in the Area of Interest are included in the Property, the Optionee will leave such rights in good standing for a period of six (6) months from the date of termination of this Agreement.
- 6.5 Section 6.2 will survive the exercise of the Option if the Option is exercised in accordance with Section 2.9.

**PART 7
MUTUAL CONDITIONS PRECEDENT**

- 7.1 The obligation of the Optionor to grant the Option on the Closing Date shall be subject to the prior completion of the following mutual conditions:
- (a) the Exchange will have conditionally accepted the Transaction;
 - (b) the Consideration Shares to be issued in connection with the Transaction will have been conditionally accepted for listing by the Exchange, subject to the Optionee fulfilling the listing requirements of the Exchange;
 - (c) there will not be in force any order or decree restraining or enjoining the grant of the Option; and
 - (d) all consents, orders and approvals required, necessary or desirable for the completion of the transactions provided for in this Agreement shall have been obtained or received from the persons, authorities or bodies having jurisdiction in the circumstances, all on terms satisfactory to each of the parties hereto, acting reasonably.

**PART 8
OPTIONOR'S CONDITIONS PRECEDENT**

- 8.1 The obligation of the Optionor to consummate the Transaction on the Closing Date shall be subject to the prior completion of the following conditions:



- (a) the representations and warranties of the Optionee contained in this Agreement will have been true and correct as of the date of this Agreement and shall be true and correct as of the Closing Date with the same force and effect as if such representations and warranties had been made on and as of such Closing Date, save and except in any case which would not have a material adverse effect on the Optionor;
 - (b) the Optionee will have performed, fulfilled or complied with, in all material respects, all of its obligations, covenants and agreements contained in this Agreement to be fulfilled or complied with by the Optionee at or prior to the Closing Date;
 - (c) the Optionee will deliver or cause to be delivered to the Optionor the closing documents as set forth in Section 12.1 in a form satisfactory to the Optionor acting reasonably;
 - (d) all proceedings to be taken in connection with the transactions contemplated in this Agreement will be satisfactory in form and substance to the Optionor, acting reasonably, and the Optionor will have received copies of all instruments and other evidence as it may reasonably request in order to establish the consummation or closing of such transactions and the taking of all necessary proceedings in connection therewith;
 - (e) this Agreement and all other documents necessary or reasonably required to close the Transaction, all in form and substance reasonably satisfactory to the Optionor, will have been executed and delivered to the Optionor; and
 - (f) the Optionor completing, and being reasonably satisfied with, its due diligence on the Optionee.
- 8.2 The conditions set forth in Section 8.1 are for the exclusive benefit of the Optionor and may be waived by the Optionor in writing in whole or in part on or before the Closing Date. Notwithstanding any such waiver, the completion of the Transaction will not prejudice or affect in any way the rights of the Optionor in respect of the warranties and representations of the Optionee in this Agreement.

PART 9
OPTIONEE'S CONDITIONS PRECEDENT

- 9.1 The obligation of the Optionee to consummate the Transaction on the Closing Date shall be subject to the prior completion of the following conditions:
- (a) the representations and warranties of the Optionor contained in this Agreement will have been true and correct as of the date of this Agreement and shall be true and correct as of the Closing Date with the same force and effect as if such representations and warranties had been made on and as of such Closing Date, save and except in any case which would not have a Material Adverse Effect on the Optionee;

- (b) the Optionor will have performed, fulfilled or complied with, in all material respects, all of its obligations, covenants and agreements contained in this Agreement to be fulfilled or complied with by the Optionor at or prior to the Closing Date;
 - (c) the Optionor will deliver or cause to be delivered to the Optionee the closing documents as set forth in Section 11.1 in a form satisfactory to the Optionee acting reasonably;
 - (d) all proceedings to be taken in connection with the transactions contemplated in this Agreement will be satisfactory in form and substance to the Optionee, acting reasonably, and the Optionee will have received copies of all instruments and other evidence as it may reasonably request in order to establish the consummation or closing of such transactions and the taking of all necessary proceedings in connection therewith;
 - (e) this Agreement and all other documents necessary or reasonably required to close the Transaction, all in form and substance reasonably satisfactory to the Optionee, will have been executed and delivered to the Optionee; and
 - (f) the Optionee completing, and being reasonably satisfied with, its due diligence on the Optionor.
- 9.2 The conditions set forth in Section 9.1 are for the exclusive benefit of the Optionee and may be waived by the Optionee in writing in whole or in part on or before the Closing Date. Notwithstanding any such waiver, the completion of the Transaction will not prejudice or affect in any way the rights of the Optionee in respect of the warranties and representations of the Optionor in this Agreement.

PART 10 CLOSING

- 10.1 The Closing will take place on the Closing Date at the offices of Clark Wilson LLP at 800-885 West Georgia Street, Vancouver, British Columbia, V6C 3H1 or at such other location as agreed to by the parties. Notwithstanding the location of the Closing, each party agrees that the Closing may be completed by the exchange of undertakings between the respective legal counsel for the parties, provided such undertakings are satisfactory to each party's respective legal counsel.

PART 11 CLOSING DELIVERIES OF THE OPTIONOR

- 11.1 At Closing, the Optionor will deliver or cause to be delivered the following, duly executed and in form and substance reasonably satisfactory to the Optionee:
- (a) all information in the possession or control of the Optionor with respect to the Claims and the Property which has not been previously delivered to the Optionee;



- (b) this Agreement duly executed by the Optionor;
- (c) a certified copy of the resolutions of the directors of the Optionor approving and authorizing the entry into this Agreement and the transactions contemplated herein;
- (d) a certificate of a senior officer of the Optionor attesting that:
 - (i) the representations and warranties of the Optionor contained in this Agreement are true and correct at the Closing Date as if made at that time;
 - (ii) all agreements, covenants and conditions required by this Agreement to be complied with or performed by the Optionor on or before the Closing Date have been complied with or performed; and
 - (iii) all conditions precedent to the obligations of the Optionor contained in this Agreement have been satisfied or waived; and
- (e) such other closing documents as may be required by the Optionee, acting reasonably.

PART 12
CLOSING DELIVERIES OF THE OPTIONEE

- 12.1 At Closing, the Optionee will deliver or cause to be delivered the following, duly executed and in form and substance reasonably satisfactory to the Optionor:
- (a) reasonable evidence that the Exchange has conditionally approved the Transaction;
 - (b) this Agreement duly executed by the Optionee;
 - (c) a certified copy of the resolutions of the directors of the Optionee approving and authorizing the entry into this Agreement and the transactions contemplated herein;
 - (d) a certificate of a senior officer of the Optionee attesting that:
 - (i) the representations and warranties of the Optionee contained in this Agreement are true and correct at the Closing Date as if made at that time;
 - (ii) all agreements, covenants and conditions required by this Agreement to be complied with or performed by the Optionee on or before the Closing Date have been complied with or performed; and
 - (iii) all conditions precedent to the obligations of the Optionee contained in this Agreement have been satisfied or waived; and
 - (e) such other closing documents as may be required by the Optionor, acting reasonably.



**PART 13
TERMINATION**

- 13.1 This Agreement may be terminated by mutual written agreement of the parties. Unless otherwise agreed in writing by the parties, this Agreement shall terminate without further notice or agreement in the event that:
- (a) the Transaction is rejected by the Exchange and all recourse or rights of appeal have been exhausted;
 - (b) any conditions precedent set out herein are not satisfied, released or waived on or before the Closing Date or such earlier date as is indicated in this Agreement; or
 - (c) the Acceptance Date has not occurred prior to October 31, 2012, or such earlier or later date as may be approved in writing by the parties.
- 13.2 The Option shall terminate:
- (a) by mutual written agreement of the parties;
 - (b) subject to Section 13.4 hereof, upon the Optionee failing to make any of the Cash Payments, issue any of the Consideration Shares or incur any of the Work Costs which must be made, issued or incurred, as applicable, to exercise the Option as required by Section 2.1 of this Agreement;
 - (c) at any other time, by the Optionee giving notice of such termination to the Optionor; or
 - (d) subject to Section 13.4 hereof, upon the Optionee failing to remedy a default as provided herein.
- 13.3 If the Option is terminated, the Optionee shall:
- (a) leave in good standing for a period of at least six (6) months from the termination of this Agreement those Claims comprising the Property, to the extent allowable by the laws of the jurisdiction in which the Property is situated;
 - (b) if requested by the Optionor, deliver to the Optionor duly executed transfers of the Claims comprising the Property in favour of the Optionor, free and clear of all encumbrances arising from the Optionee's operations hereunder (except for taxes not yet due, other inchoate encumbrances and encumbrances contested in good faith by the Optionee);
 - (c) deliver or make available at no cost to the Optionor, within ninety (90) calendar days of such termination, all drill core and copies of all reports, maps, assay results and other relevant technical data compiled by, prepared at the direction of, or in the possession of, the Optionee with respect to the Property and not theretofore furnished to the Optionor;

- (d) reclaim the Property in accordance with the requirements of all applicable Environmental Laws and regulations, but only to the extent that such requirements result from the Optionee's activities on the Property hereunder; and
 - (e) have the right, within a period of one hundred eighty (180) calendar days following the end of the Option Period, to remove from the Property the equipment, and all buildings, plant, equipment, machinery, tools, appliances and supplies which have been brought upon the Property by or on behalf of the Optionee, and any such property not removed within such one hundred eighty (180) day period shall thereafter become the property of the Optionor.
- 13.4 If, at any time during the Option Period, the Optionee is in default of any material provision in this Agreement, the Optionor may terminate this Agreement, but only if:
- (a) it shall have first given to the Optionee a written notice of such default containing particulars of the obligation which the Optionee has not performed, or the warranty breached; and
 - (b) the Optionee has not, within thirty (30) calendar days following delivery of such notice of default, cured such default or commenced proceedings to cure such default by appropriate payment or performance, the Optionee hereby agreeing that should it so commence to cure any default it will undertake same to completion without undue delay.
- 13.5 Should the Optionee fail to comply with the provision of Section 13.4(b), the Optionor may thereafter terminate this Agreement by giving written notice thereof to the Optionee.

PART 14
RIGHTS AND OBLIGATIONS DURING THE OPTION PERIOD

- 14.1 The Optionee shall have the exclusive right to manage and operate all work programs carried out in the Property for so long as the Option remains outstanding, and all work programs shall be in the sole discretion of the Optionee.
- 14.2 For so long as the Option is outstanding, the Optionee and its employees, representatives, agents and independent contractors shall have the right:
- (a) to access all information in the possession or control of the Optionor relating to prior operations on the Property, including all geological, geophysical and geochemical data and drill results;
 - (b) to enter upon the Property and carry out such exploration and development work thereon and thereunder as the Optionee considers advisable, including removing material from the Property for the purpose of testing; and
 - (c) to bring upon and erect upon the Property such structures, machinery, equipment, facilities and supplies as the Optionee considers advisable.

- 14.3 The Optionor shall have access to the Property, concurrently with the Optionee, at all reasonable times, at the Optionor's own risk and expense, for the purpose of inspecting the work being done by the Optionee, provided such inspection does not unduly interfere with any work being carried out by or on behalf of the Optionee.
- 14.4 During the Option Period, unless otherwise agreed between the parties, the Optionee will:
- (a) maintain in good standing the Claims and any Additional Rights included in the Property by the payment of fees, taxes and rentals and the performance of all other required actions in order to keep the Claims free and clear of all liens and other charges arising from the Optionee's activities thereon except those at the time contested in good faith by the Optionee; and
 - (b) perform all work on the Property in a good and workmanlike fashion and in accordance with all applicable laws, regulations, orders and ordinances of any governmental authority.
- 14.5 The Optionor shall have access, upon request, to all data, reports or results generated in respect to the exploration and development of the Property.
- 14.6 If, during the term of the Option, the Optionee requests assistance from the Optionor that requires personnel from the Optionor to visit the Property, the Optionee shall pay all wages and expenses related to such visit.

**PART 15
SECURITIES LAWS**

- 15.1 The parties hereto acknowledge that the issuance of the Consideration Shares by the Optionee to the Optionor as contemplated herein will be made pursuant to an exemption from the registration and prospectus requirements of applicable securities laws.
- 15.2 The Optionor confirms to and covenants with the Optionee that:
- (a) it will comply with all requirements of applicable securities laws in connection with the issuance to it of the Consideration Shares and the resale of any of the Consideration Shares; and
 - (b) the Consideration Shares have not been registered under the U.S. Securities Act or the securities laws of any state of the United States and that the Optionee does not intend to register the Consideration Shares under the U.S. Securities Act, or the securities laws of any state of the United States and has no obligation to do so. The Optionor is not a U.S. Person and is not purchasing the Consideration Shares for the account or benefit of any U.S. Person; provided, however, that the Optionor may sell or otherwise dispose of the Consideration Shares pursuant to registration thereof under the U.S. Securities Act and any applicable state securities laws or pursuant to any available exemption from such registration requirements.



- 15.3 Upon the issuance of the Consideration Shares to the Optionor, and until such time as is no longer required under applicable securities laws, the certificates representing the Consideration Shares will bear the legend required under National Instrument 45-102, in substantially the following form:

“Unless permitted under securities legislation, the holder of this security must not trade the security before [insert the date that is 4 months and a day after the distribution date].”,

and, if required by the Exchange, the following legend as provided for under Exchange policies:

“Without prior written approval of TSX Venture Exchange and compliance with all applicable securities legislation, the securities represented by this certificate may not be sold, transferred, hypothecated or otherwise traded on or through the facilities of TSX Venture Exchange or otherwise in Canada or to or for the benefit of a Canadian resident until [insert date].”

- 15.4 If any of the Consideration Shares are required to be escrowed pursuant to the policies of the Exchange, the Optionor agrees to sign any such escrow agreement and abide by any such restrictions as may be so imposed by the Exchange.

PART 16 CONFIDENTIALITY

- 16.1 The parties hereto agree that this Agreement, any instruments referred to or contemplated by this Agreement, the Transaction, any information with respect to the Property or any Additional Rights, any information exchanged between the parties under this Agreement, and all information concerning or relating to the Transaction, the Property and any Additional Rights of which a party becomes aware (collectively, the “Confidential Information”) is confidential, and must be kept confidential and must not be disclosed to any Person at any time or in any manner except:
- (a) to any party hereto;
 - (b) with the prior written consent of the other party hereto, such consent not to be unreasonably withheld;
 - (c) by a party to legal, financial and other professional advisors, auditors and other consultants, officers and employees of a party;
 - (d) to the extent that the Confidential Information was publicly available as of the date of this Agreement or becomes publicly available subsequent to the date of this Agreement without breach of this Agreement; and
 - (e) to the extent required by law or by a lawful requirement of any governmental authority or stock exchange having jurisdiction over a party hereto.

- 16.2 Section 16.1 will survive the exercise of the Option if the Option is exercised in accordance with Section 2.9.

**PART 17
INDEMNITY**

- 17.1 The Optionor covenants and agrees with the Optionee (which covenant and agreement will survive the execution, delivery and termination of this Agreement) to indemnify and save harmless the Optionee against all liabilities, claims, demands, actions, causes of action, damages, losses, costs, expenses or legal fees suffered or incurred by the Optionee, directly or indirectly, by reason of or arising out of any material warranties or representations on the part of the Optionor herein being untrue.
- 17.2 The Optionee covenants and agrees with the Optionor (which covenant and agreement will survive the execution, delivery and termination of this Agreement) to indemnify and save harmless the Optionor against all liabilities, claims, demands, actions, causes of action, damages, losses, costs, expenses or legal fees suffered or incurred by reason of or arising out of any material warranties or representations on the part of the Optionee herein being untrue.

**PART 18
ASSIGNMENT**

- 18.1 Subject to Section 18.2 and Section 18.3, during the term of this Agreement, any party hereto may sell, transfer, assign or otherwise dispose of its interest in this Agreement or its right or interest in the Property, provided that it has first obtained the consent in writing of the other party. It will be a condition of any assignment under this Agreement that such purchaser or assignee will agree in writing to be bound by the terms of this Agreement, to perform all the obligations of the selling or assigning party to be performed under this Agreement, and to subject any further sale, transfer or other disposition of such interest in the Property and this Agreement, or any portion thereof, to the restrictions contained in this Section 18.1
- 18.2 The provisions of Section 18.1 will not prevent any party hereto from entering into an amalgamation or corporate reorganization that will have the effect in law of the amalgamated or surviving company possessing all the property, rights and interests, and being subject to all the debts, liabilities and obligations, of each amalgamating and predecessor company.
- 18.3 Notwithstanding Section 18.1, the Optionee may assign its rights under this Agreement (including its rights in respect of the Option) to another Affiliate. Where the Optionee assigns its rights under this Agreement to another Affiliate, it will notify the Optionor of such assignment within ten days of the assignment.

**PART 19
FORCE MAJEURE**

No party shall be liable to the other party hereto and no party shall be deemed in default hereunder for any failure to perform, or delay in performing, any of its obligations under this



Agreement or in incurring Work Costs caused by or arising out of any event (a "force majeure event") beyond the reasonable control of such party, excluding lack of funds but including lack of rights or permission by government authorities or indigenous peoples' groups to enter upon the Property to conduct exploration, development and mining operations thereon, war conditions, actual or potential, earthquake, fire, storm, flood, explosion, strike, labour trouble, accident, riot, unavoidable casualty, act of restraint, present or future, of any lawful authority, act of God, protest or demonstration by environmental lobbyists or indigenous peoples' groups, act of the public enemy, delays in transportation, breakdown of machinery, inability to obtain necessary materials in the open market or unavailability of equipment. No right of a party shall be affected for failure or delay of a party to perform any of its obligations under this Agreement or to incur Work Costs, if the failure or delay is caused by a force majeure event. All times provided for in this Agreement shall be extended for the period equal to the period of delay. The affected party shall take all reasonable steps to remedy the cause of the delay attributable to the events referred to above, provided that nothing contained in this Part 19 shall require any party to settle any labour dispute, protest or demonstration, or to question or test the validity of any governmental order, regulation, law or claim of right by indigenous peoples' groups. The affected party shall promptly give notice to the other party of the commencement and termination of each period of force majeure.

**PART 20
NOTICES**

20.1 Any notice, consent, waiver, direction or other communication required or permitted to be given under this Agreement by a party will be in writing and will be delivered by hand to the party to which the notice is to be given at the following address or sent by facsimile to the following numbers, or to such other address or facsimile number as will be specified by a party by like notice. Any notice, consent, waiver, direction or other communication aforesaid will, if delivered, be deemed to have been given and received on the date on which it was delivered to the address provided herein (if a Business Day or, if not, then the next succeeding Business Day) and if sent by facsimile be deemed to have been given and received at the time of receipt (if a Business Day or, if not, then the next succeeding Business Day) unless actually received after 4:00 p.m. (Vancouver time) at the point of delivery in which case it will be deemed to have been given and received on the next Business Day.

20.2 The address for service of each of the parties will be as follows:

(a) to the Optionor:

Suite 520 - 800 West Pender Street
Vancouver, BC V6C 2V6

Attention: Chief Executive Officer
Fax Number: (604) 646-8088

(b) to the Optionee:

c/o 150-6th Avenue SW
Calgary, Alberta T2P 3Y7

Attention: Chief Executive Officer
Fax Number: 86 755 2216 3617

with a copy to (which will not constitute notice hereunder):

Clark Wilson LLP
800-885 West Georgia Street
Vancouver, BC V6C 3H1

Attention: Larry K. Yen
Fax Number: (604) 687-6314

Any party may at any time and from time to time notify the other parties in writing of a change of address and the new address to which notice will be given to it thereafter until further change.

PART 21 MISCELLANEOUS

- 21.1 The Optionee is entitled to record a notice of the existence of this Agreement in the applicable mining recorder's office.
- 21.2 Each party waives the benefit of all provisions of law as now in effect or as enacted in future relating to actions of partition of real and personal property and agrees that, for so long as the Agreement is in effect, it will not resort to any action in law or in equity to partition the Property or any other real property subject to this Agreement.
- 21.3 This Agreement will be construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein. All disputes arising out of or in connection with this Agreement, or in respect of any defined legal relationship associated therewith or derived therefrom, will be referred to and finally resolved by a sole arbitrator by arbitration under the rules of the *Commercial Arbitration Act* (British Columbia).
- 21.4 Nothing herein will constitute or be taken to constitute the parties as partners or create any fiduciary relationship between them. It is not the intention of the parties to create, nor will this Agreement be construed to create, any mining, commercial or other partnership. None of the parties will have any authority to act for or to assume any obligation or responsibility on behalf of any other party, except as expressly provided herein.
- 21.5 Each of the parties will, with reasonable diligence, do all such things and provide all such reasonable assurances as may be required to consummate the transactions contemplated by this Agreement, and each party will provide such further documents, deeds, conveyances and other instruments that may be reasonably necessary or advisable to carry out fully the intent of this Agreement.
- 21.6 Time is of the essence of this Agreement and every part of this Agreement and no extension or variation of this Agreement will operate as a waiver of this provision.



- 21.7 Unless otherwise specified herein, all costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby will be paid by the party incurring such expense.
- 21.8 All funds set out herein are stated in Canadian currency.
- 21.9 This Agreement will enure to the benefit of and be binding upon the respective heirs, executors, administrators, personal representatives, successors (including any successors by amalgamation or operation of law) and assigns of the parties.
- 21.10 This Agreement, together with all agreements, instruments and other documents between the parties after the date hereof, constitutes the entire agreement between the parties with respect to the subject matter hereof and cancels and supersedes any prior understandings and agreements between the parties, including the Letter Agreement, with respect thereto. There are no terms, conditions, undertakings or collateral agreements, express, implied or statutory, between the parties other than as expressly set out in this Agreement and in the agreements, instruments and other documents between the parties after the date hereof.
- 21.11 No waiver or modification of, or amendment to, this Agreement will be valid or binding unless set out in writing and duly executed by all of the parties.
- 21.12 If any provision of this Agreement is unenforceable or invalid for any reason, it will be severable from the remainder of this Agreement and, in its application at that time, this Agreement will be construed as though such provision was not contained herein and the remainder will continue in full force and effect and be construed as if this Agreement had been executed without the invalid or unenforceable provision.



This Agreement may be executed in as many counterparts as may be necessary or by facsimile or email in .pdf and each such agreement or facsimile or .pdf so executed will be deemed to be an original and such counterparts together will constitute one and the same instrument.

IN WITNESS WHEREOF the parties have executed this Agreement as of the day and year first set forth above.

BCGOLD CORP.

Per: _____

Name: *Derren O'Brien*

Title: *VP Exploration*

KAIYUE INTERNATIONAL INC.

Per: _____

Name: *Hilda Sung*

Title: *Chief Executive Officer and Director*

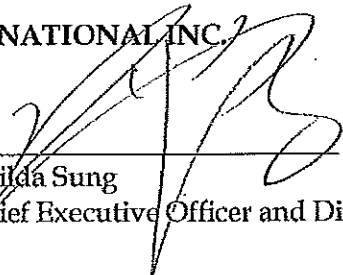
This Agreement may be executed in as many counterparts as may be necessary or by facsimile or email in .pdf and each such agreement or facsimile or .pdf so executed will be deemed to be an original and such counterparts together will constitute one and the same instrument.

IN WITNESS WHEREOF the parties have executed this Agreement as of the day and year first set forth above.

BCGOLD CORP.

Per: _____
Name:
Title:

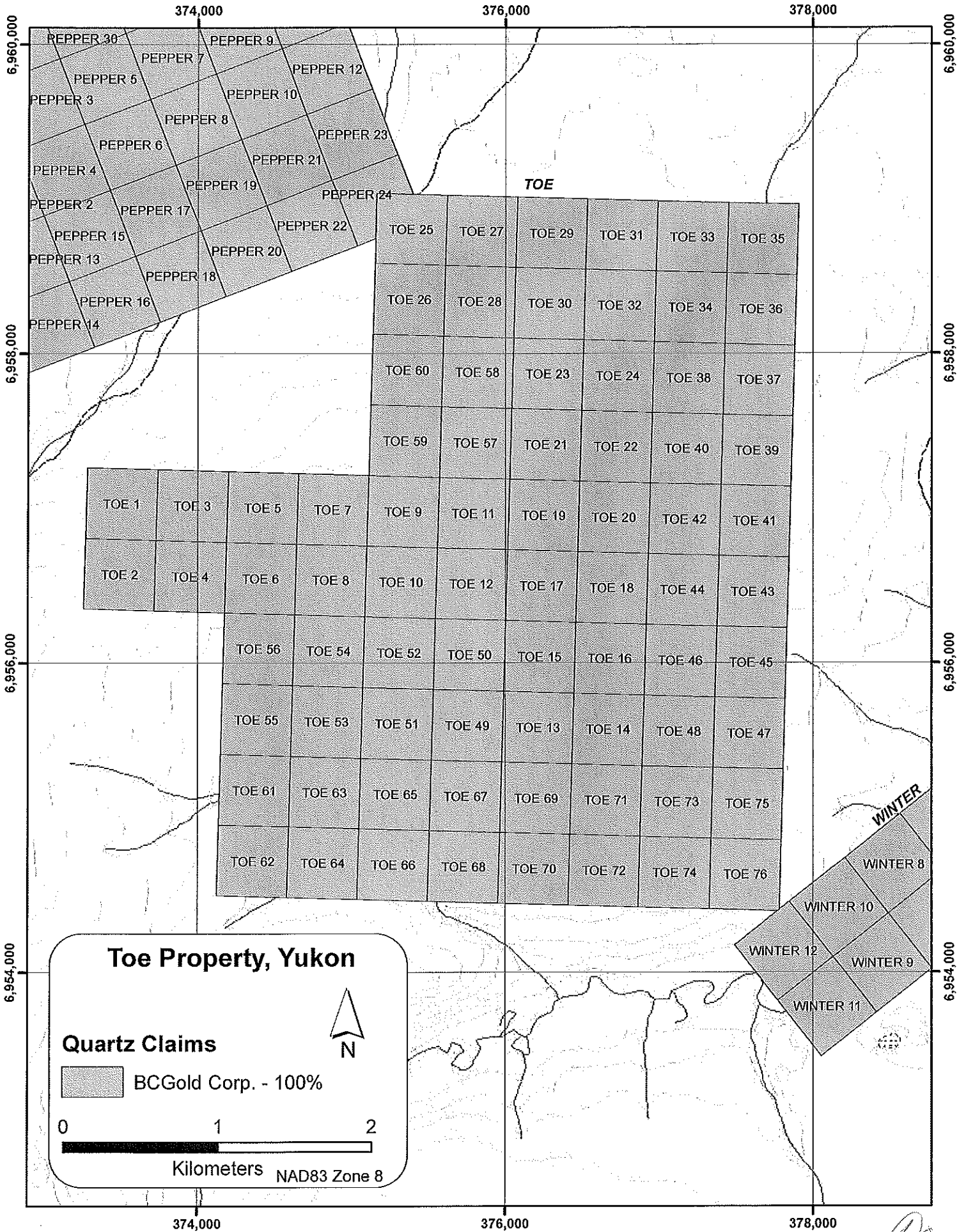
KAIYUE INTERNATIONAL INC.

Per: 
Name: Hilda Sung
Title: Chief Executive Officer and Director

SCHEDULE "A"
TO THE OPTION AGREEMENT BETWEEN BCGOLD CORP. AND
KAIYUE INTERNATIONAL INC. DATED OCTOBER 15, 2012

DESCRIPTION OF THE CLAIMS





Do

YC66552	TOE 65	20.90	21-Nov-13	\$100.00	\$5.00	21-Nov-07	115111	Whitehorse	BCGold Corp. - 100%
YC66553	TOE 66	20.90	21-Nov-13	\$100.00	\$5.00	21-Nov-07	115111	Whitehorse	BCGold Corp. - 100%
YC66554	TOE 67	20.90	21-Nov-13	\$100.00	\$5.00	21-Nov-07	115111	Whitehorse	BCGold Corp. - 100%
YC66555	TOE 68	20.90	21-Nov-13	\$100.00	\$5.00	21-Nov-07	115111	Whitehorse	BCGold Corp. - 100%
YC66556	TOE 69	20.90	21-Nov-13	\$100.00	\$5.00	21-Nov-07	115111	Whitehorse	BCGold Corp. - 100%
YC66557	TOE 70	20.90	21-Nov-13	\$100.00	\$5.00	21-Nov-07	115111	Whitehorse	BCGold Corp. - 100%
YC66558	TOE 71	20.90	21-Nov-13	\$100.00	\$5.00	21-Nov-07	115111	Whitehorse	BCGold Corp. - 100%
YC66559	TOE 72	20.90	21-Nov-13	\$100.00	\$5.00	21-Nov-07	115111	Whitehorse	BCGold Corp. - 100%
YC66560	TOE 73	20.90	21-Nov-13	\$100.00	\$5.00	21-Nov-07	115111	Whitehorse	BCGold Corp. - 100%
YC66561	TOE 74	20.90	21-Nov-13	\$100.00	\$5.00	21-Nov-07	115111	Whitehorse	BCGold Corp. - 100%
YC66562	TOE 75	20.90	21-Nov-13	\$100.00	\$5.00	21-Nov-07	115111	Whitehorse	BCGold Corp. - 100%
YC66563	TOE 76	20.90	21-Nov-13	\$100.00	\$5.00	21-Nov-07	115111	Whitehorse	BCGold Corp. - 100%
76 claims		1588.40		\$7,600.00	\$380.00				

SCHEDULE "B"
TO THE OPTION AGREEMENT BETWEEN BCGOLD CORP. AND
KAIYUE INTERNATIONAL INC. DATED OCTOBER 15, 2012

DESCRIPTION OF UNDERLYING ROYALTIES

The Toe Property is subject to a 1.75% net smelter returns royalty (the "**Ryan Royalty**") interest payable by BCGold Corp. (the "**Optionor**") to Shawn Ryan ("**Ryan**"). The Optionor is entitled at any time and from time to time to purchase 5/7 of the Ryan Royalty from Ryan for \$1,500,000.



Mr. Shawn Ryan
Box 213
Dawson City, Yukon Territory
Y0B 1G0

Upon the commencement of Commercial Production (as defined below) with respect to the Property, BCGold will pay to Ryan a royalty (the "**Royalty**"), being equal to 1.75% of Net Smelter Returns (as defined below). BCGold will be entitled at any time and from time to time to purchase 5/7 of the Royalty (i.e., a Royalty equal to 1.25% of Net Smelter Returns) from Ryan for \$1,500,000. "**Commercial Production**" means, and is deemed to have been achieved, when the concentrator processing ores, for other than testing purposes, has operated for a period of 30 consecutive production days at an average rate of not less than 60% of design capacity or, if a concentrator is not erected on the Property, when ores have been produced for a period of 30 consecutive production days at the rate of not less than 60% of the mining rate specified in a feasibility study recommending placing the Property in Commercial Production. "**Net Smelter Returns**" means actual proceeds received from any mint, smelter, refinery or other purchaser from the sale of minerals, concentrates, metals (including bullion) or products from the Property and sold, after deducting from such proceeds the following charges levied by third parties to the extent that they are not deducted by the purchaser in computing payment:

- (a) Assay costs and umpire assay costs charged by any mint, smelter, refinery or other purchaser;
- (b) Smelting and refining charges, penalties, and the reasonable cost of transportation and handling of such minerals, concentrates, metals (including bullion) or products from the Property to any mint, smelter, refinery or other purchaser; and
- (c) Related insurance on such minerals, concentrates, metals (including bullion) or products from the Property.

