

THIS PROCESSING AGREEMENT made effective as of the 29th day of November 2019.

BETWEEN:

MAG ONE OPERATIONS INC., a company incorporated under the laws of the Province of British Columbia, continued under the laws of the Province of Quebec, and having its head office at 511 Place d'Armes, bureau 303, Montréal, Québec, H2Y 2W7.

(hereinafter referred to as "**Mag One**")

AND:

MINE JEFFREY INC., a company duly incorporated under the laws of the Province of Quebec, and having a registered office at 200 Rue du Cardinal Leger, in the City of Asbestos, in the Province of Quebec, J1T 2X1 and a head office at 111 Boulevard St. Luc, Asbestos, Quebec, J1T 3N2.

(hereinafter referred to as "**Jeffrey**")

AND:

MAG ONE PRODUCTS INC., a company incorporated under the laws of the Province of British Columbia and having its head office at 600 - 777 Hornby Street, Vancouver, British Columbia, V6Z 1S4.

(hereinafter referred to as "**MOPI**")

AND:

BEAUSITE METAL INC., a company duly incorporated under the laws of the Province of Quebec, and having an office at 391 Chemin du Golf, in the City of Asbestos, in the Province of Quebec, J1T 3M7;

(hereinafter referred to as "**BMI**")

WHEREAS:

A. Jeffrey is the owner of certain serpentine tailings reserves located 2.5 km southwest of Asbestos Quebec and 6 km southeast of Danville, Quebec, in the Eastern Townships region of Quebec (NTS sheet 21E/13, Shipton Township, Range V, lots 7 and 8) known as the Jeffrey Mine Serpentine Tailings Project (the "**Project**").

B. BMI, together with Jeffrey, holds an ownership interest in certain production facilities and infrastructure, including associated site lands (collectively the "**Production Site Facilities**").

C. It is estimated that there are approximately 100,000,000 tonnes of serpentine tailings on the Project, which is the subject of a National Instrument 43-101 compliant technical report entitled "*Magnesium Bearing Waste Dumps Recycling Project - National Instrument Form 43-101F1 Technical Report – Jeffrey Mine Tailings*" dated September 25, 2017, prepared for Mag One Products Inc.

D. Jeffrey has agreed to grant Mag One exclusive access to recover and process up to 50,000,000 tonnes of serpentine tailings on the Project, the properties of which are described in Schedule A (the “**Tailings**”), such Tailings located on the Project in stockpile terraces on the portion of lot 5,631,654 south of 45°45’ N latitude in Asbestos, Quebec (the “**Lots**”);

E. Mag One intends to process the Tailings to produce high purity magnesium oxide, silica and magnesium metal and has agreed to pay Jeffrey for the Tailings it processes on the Project.

F. Mag One is a wholly owned subsidiary of MOPI. MOPI is a party to an agreement dated July 12, 2018 with Jeffrey and BMI respecting the processing of the Tailings on the Project (the “**Prior Agreement**”). MOPI, Jeffrey and BMI have agreed to terminate the Prior Agreement upon execution of this Agreement. MOPI is a party to this Agreement solely for the purpose of agreeing to the termination of the Prior Agreement.

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the premises and the mutual covenants, representations and warranties given by each of the parties to the other, the receipt and sufficiency of which is hereby expressly acknowledged, the parties do hereby agree as follows:

1. DEFINITIONS

1.1. In this Agreement, including the Schedules hereto, unless the context otherwise requires, and in addition to terms defined elsewhere herein, the following words and expressions shall have the following meanings:

- (a) “Agents” has the meaning ascribed to that term in section 7.2(a);
- (b) “Confidential Information” has the meaning ascribed to that term in section 11.1;
- (c) “Effective Date” means the date of this Agreement as set out on the first page of this Agreement;
- (d) “Infrastructure” means such buildings, equipment, storage facilities, processing equipment and processing facilities as may be located on the Project and of utility to Mag One in connection with the construction of the Production Site;
- (e) “Lots” has the meaning ascribed to that term in recital D;
- (f) “Prior Agreement” has the meaning ascribed to that term in recital F;
- (g) “Processing Activities” has the meaning ascribed to that term in section 7.1(a);
- (h) “Processing Facility” means a production plant and associated facilities established by Mag One on the Production Site for the purpose of processing Tailings into Product;
- (i) “Product” means magnesium oxide, silica, magnesium metal and any other commercially saleable ores, metals and minerals derived from the processing of the Tailings by Mag One and any concentrates produced therefrom;
- (j) “Production” means processing of the Tailings into Product at a production plant established by Mag One in accordance with this Agreement;

- (k) “Production Site” means those lands and Infrastructure to be sold or leased to Mag One by Jeffrey pursuant to section 5 of this Agreement for the construction of a Processing Facility;
- (l) “Project” has the meaning ascribed to that term in recital A;
- (m) “Tailings” has the meaning ascribed to that term in recital D; and
- (n) “tonnes” means metric tonnes.

Unless otherwise stated, all references to currency in this Agreement are to Canadian dollars.

2. REPRESENTATIONS AND WARRANTIES

2.1. Jeffrey represents and warrants to Mag One that, except as otherwise disclosed in this Agreement:

- (a) it is a company duly incorporated and validly subsisting and is in good standing under the laws of the jurisdiction of its incorporation and is qualified to do business in the jurisdiction in which the Project is located;
- (b) it has full power and absolute authority and capacity to enter into this Agreement and to carry out the transactions contemplated hereby except where regulatory approval is required;
- (c) it has duly obtained all corporate authorizations for the execution, delivery and performance of this Agreement and such execution, delivery and performance and the consummation of the transactions herein contemplated will not conflict with, or accelerate the performance required by or result in any breach of any covenants or agreements contained in or constitute a default under, or result in the creation of any encumbrance, lien or charge under the provisions of its constating documents or any shareholders' or directors' resolution, indenture, agreement or other instrument whatsoever to which it is a party or by which it is bound or to which it may be subject and will not contravene any applicable law;
- (d) it is the legal and/or beneficial owner of the Project, the Tailings and the Infrastructure (which Infrastructure is jointly owned with BMI as set out in subsection (e) below) and has full legal right and authority to grant the rights granted to Mag One herein;
- (e) it, jointly with BMI, owns the Infrastructure;
- (f) it has complied with all of the laws in effect in the jurisdiction in which the Project is located with respect to the Project;
- (g) it has the right to permit Mag One to enter on and access the Project lands and the Mine Facilities for all purposes of this Agreement (including transporting the Tailings to the Production Site) without making any payment to, and without accounting to or obtaining the permission of, any other person or entity other than BMI;
- (h) there is no adverse claim or challenge against or to the ownership of or title to the Project or any portion thereof, nor is there any basis therefor, and there are no outstanding agreements or options to acquire or purchase rights to the Tailings or any portion thereof or interest therein; and

- (i) no event of insolvency has occurred in relation to Jeffrey, including any event that would enable a creditor to commence or insolvency proceedings or enable a court to grant a petition or order for winding up or bankruptcy of Jeffrey.

2.2. BMI represents and warrants to Mag One that, except as otherwise disclosed in this Agreement:

- (a) it is a company duly incorporated and validly subsisting and is in good standing under the laws of the jurisdiction of its incorporation and is qualified to do business in the jurisdiction in which the Project is located;
- (b) it has full power and absolute authority and capacity to enter into this Agreement and to carry out the transactions contemplated hereby except where regulatory approval is required;
- (c) it has duly obtained all corporate authorizations for the execution, delivery and performance of this Agreement and such execution, delivery and performance and the consummation of the transactions herein contemplated will not conflict with, or accelerate the performance required by or result in any breach of any covenants or agreements contained in or constitute a default under, or result in the creation of any encumbrance, lien or charge under the provisions of its constating documents or any shareholders' or directors' resolution, indenture, agreement or other instrument whatsoever to which it is a party or by which it is bound or to which it may be subject and will not contravene any applicable law;
- (d) it, jointly with Jeffrey, owns the Infrastructure;
- (e) it has the right to permit Mag One to enter on and access the Project lands and Mine Facilities for all purposes of this Agreement (including transporting the Tailings to the Production Site) without making any payment to, and without accounting to or obtaining the permission of, any other person or entity other than Jeffrey.

2.3. Mag One represents and warrants to Jeffrey and BMI that, except as otherwise disclosed in this Agreement:

- (a) it is a company duly incorporated and validly subsisting and is in good standing under the laws of the jurisdiction of its incorporation and is qualified to do business in the jurisdiction in which the Project is located;
- (b) it has full power and absolute authority and capacity to enter into this Agreement and to carry out the transactions contemplated hereby; and
- (c) it has duly obtained all corporate authorizations for the execution, delivery and performance of this Agreement and such execution, delivery and performance and the consummation of the transactions herein contemplated will not conflict with, or accelerate the performance required by or result in any breach of any covenants or agreements contained in or constitute a default under, or result in the creation of any encumbrance, lien or charge under the provisions of its constating documents or any shareholders' or directors' resolution, indenture, agreement or other instrument whatsoever to which it is a party or by which it is bound or to which it may be subject and will not contravene any applicable law.

2.4. The representations and warranties hereinbefore set out are conditions on which the parties have relied in entering into this Agreement, are to be construed as both conditions and warranties and shall, regardless of any investigation which may have been made by or on behalf of any party as to

the accuracy of such representations and warranties, survive the closing of the transactions contemplated hereby and the acquisition of any interest in the Property hereunder and each of the parties will indemnify and save the other harmless from all loss, damage, costs, actions and suits arising out of or in connection with any breach of any representation or warranty contained in this Agreement.

3. RIGHT TO ACCESS, RECOVER AND PROCESS TAILINGS

- 3.1. Jeffrey hereby grants Mag One the exclusive right to access, recover and process 25,000,000 tonnes of Tailings from the Lots and to utilize and sell or otherwise dispose of all products derived from the processing of the Tailings.
- 3.2. Jeffrey hereby grants Mag One the option to acquire, for no additional consideration, the exclusive right to access, recover and process an additional 25,000,000 tonnes of Tailings from the Lots and to utilize and sell or otherwise dispose of all products derived from the processing of those Tailings. This option must be exercised by Mag One by notice in writing to Jeffrey on or before November 30, 2024.
- 3.3. If the Lots do not contain 50,000,000 tonnes of Tailings, Jeffrey will identify additional stockpiles of Tailings on the Project and make such stockpiles available to Mag One so that Mag One has the ability to access, recover and process 50,000,000 tonnes of Tailings as contemplated by this Agreement.
- 3.4. Mag One shall have the right to sell any Product derived from the Processing Activities to such purchaser or purchasers as it shall deem fit based on market conditions at the time of any sale. Jeffrey will not take any steps which might impede the delivery of Product by Mag One to its designated purchaser(s). Jeffrey will allow purchasers access to the Production Site and Production Facilities as necessary to take delivery of Product purchased from Mag One, and subject to compliance by such purchasers with site rules.

4. PURCHASE PRICE

- 4.1. Mag One will pay Jeffrey \$1.00 (*redacted price*) CAD for each tonne of Tailings taken by Mag One from the Lots. Upon Mag One achieving Production, the price per tonne will thereafter be subject to an annual increase on January 1st of each subsequent calendar year in accordance with the Consumer Price Index published by Statistics Canada.
- 4.2. Jeffrey acknowledges that it has received a deposit of \$100,000CAD from Mag One and agrees that such deposit will be treated as an advance payment for the first 100,000 tonnes of Tailings taken from the Lots by Mag One for processing at the Production Facility pursuant to this Agreement.
- 4.3. After the first 100,000 tonnes of Tailings have been taken from the Lots and processed by Mag One, payments under section 4.1 will be made by Mag One to Jeffrey annually on or before March 31 for Tailings taken from the Lots and processed in the preceding calendar year.

5. PRODUCTION SITE

- 5.1. BMI and Jeffrey each agree to sell or lease their interest in an available Production Site covering an area of no less than five (5) acres and located on or in reasonable proximity to the Project including Infrastructure, as necessary and requested by Mag One for the purpose of constructing and operating the first module of the Production Facility. BMI and Jeffrey hereby provide Mag

One an option to acquire, at a price to be determined at the time of the sale price such Infrastructure. BMI and Jeffrey will allow Mag One access to the Production Site for the purposes of this Agreement.

- 5.2. Mag One will, of its own accord, procure a supply of electricity from Hydro Quebec from a nearby power line located at the boundary of the Mine Jeffrey mine site near Mill 6, and BMI and Jeffrey will allow access to Hydro Quebec and its contracts to the Project and the Production Site for this purpose.
- 5.3. Legal title to any Production Facility established on the Production Site, any equipment or moveable assets (whether installed, affixed or otherwise), and any assets acquired from Jeffrey and/or BMI pursuant to this Agreement including Tailings, will reside with Mag One, and Mag One shall retain the sole and exclusive right to remove such assets from the Project site and lands in the event of any event of a dispute with any creditor of Jeffrey or BMI, or any bankruptcy, insolvency, creditor enforcement action or similar action against Jeffrey or BMI that may reasonably be expected to adversely impact the ability of Mag One to conduct the Processing Activities and related business operations as contemplated in this Agreement.

6. WEIGHING AND ACCOUNTING

- 6.1. Mag One will be responsible for weighing all Tailings transported to and processed at the Production Site and will keep true and accurate records of the weight of Tailings transported to the Production Site in accordance with section 8.1(c) of this Agreement. Jeffrey shall be entitled to review such records in accordance with section 8.1(c).
- 6.2. Jeffrey shall have the right to audit the records that relate to the Tailings and the determination of the weight thereof and payment to be derived therefrom for a period of 60 days after the date of receipt of each annual payment under section 4.3. In the event of a disagreement respecting the calculation of any payment received by Jeffrey hereunder, the parties shall appoint an accounting firm by mutual agreement to audit Mag One's records respecting the Tailings and applicable payment. If such audit determines that Jeffrey has been underpaid by an amount in excess of 10% of the amount of any annual payment made to Jeffrey pursuant to section 4.3, Mag One shall pay Jeffrey the amount of any underpayment so determined.

7. RIGHTS RELATED TO PROCESSING ACTIVITIES

- 7.1. Except as otherwise provided in this Agreement, during the term of this Agreement, Mag One and its authorized representatives and agents shall have the right to:
 - (a) enter in, under or upon the Project, Lots and Production Site for the purpose of accessing, removing, transporting and processing the Tailings into Product and disposing of such Product (the "**Processing Activities**");
 - (b) bring upon the Project and Production Site, and to erect thereon, such mining and processing/recovery facilities as it may consider advisable;
 - (c) transport Tailings from the Lots to the Production Site; and
 - (d) remove Tailings from the Project for the purpose of bulk sampling, pilot plant or test operations.

7.2. Mag One shall have full right, power and authority to do everything necessary or desirable in connection with the Processing Activities, including, without limiting the generality of the foregoing, the right, power and authority to:

- (a) regulate access to the Project by its directors, officers, employees, consultants, agents and third party contractors (collectively, “**Agents**”), subject to the right of representatives of Jeffrey to have access to the Project at all reasonable times for the purpose of inspecting Processing Activities thereon at its own risk and expense; and
- (b) employ and engage such employees, agents and independent contractors as it may consider necessary or advisable to carry out its duties and obligations hereunder and in this connection to delegate any of its powers and rights to perform its duties and obligations hereunder.

8. DUTIES AND OBLIGATIONS OF MAG ONE RELATED TO PROCESSING ACTIVITIES

8.1. Mag One agrees that during the term of this Agreement it will do (or cause its Agents to do) the following:

- (a) carry out the Processing Activities on the Project in accordance with recognized good and workmanlike mining and engineering practices and in conformity in all respects with all applicable governmental mining laws and regulations;
- (b) upon the termination of this Agreement, leave the Project and Project Site in a safe condition in accordance with applicable statutes and regulations, including environmental restoration requirements;
- (c) advise all contractors, purchasers, suppliers, authorized representatives and agents of or to Mag One that enter the Project Site at the request of Mag One of the site rules established by Jeffrey from time to time in accordance with applicable industry requirements and standards, and Jeffrey will ensure a current copy of such rules is provided to Mag One at the time this Agreement is entered into, and thereafter upon any changes to such rules or on request.
- (d) at all times maintain and keep true and correct records related to Processing Activities and Tailings removed from the Lots, as well as all other data necessary or proper for the settlement of accounts between the parties hereto in connection with their rights and obligations under this Agreement. Such records shall be kept on the accrual basis in accordance with generally accepted accounting principles and practices consistently applied. Such records shall be open at all reasonable times upon reasonable notice for inspection by Jeffrey or its duly authorized representative.

8.2. Mag One shall be responsible for its costs of the Processing Activities on the Project.

9. COVENANTS

9.1. Jeffrey and BMI covenant and agree:

- (a) to assist Mag One in obtaining requisite permits from any relevant governmental agencies as necessary to carry out the activities contemplated by this Agreement;

- (b) to assist Mag One in applying for available grants from the applicable regional economic development fund; and
- (c) to maintain ownership of the Project in such manner as will allow Mag One to carry out its Processing Activities hereunder. If Jeffrey or BMI propose to sell any part of the Project, they will ensure the purchaser executes a written agreement to recognize and be bound by the terms of this Agreement to the extent necessary to allow Mag One to properly exercise its rights hereunder.

9.2. Each of the parties hereto agrees to maintain insurance at industry standard levels in relation to its activities on the Project.

10. TERM AND RIGHT OF RENEWAL

10.1. This Agreement shall commence on the Effective Date and terminate on November 30, 2024, but shall automatically renew, without further action by the Parties, for successive additional two-year terms provided that Mag One processed a minimum of 10,000 tonnes of Tailings in the year of renewal. In the event of termination, the Parties may renew this Agreement by mutual agreement.

11. CONFIDENTIALITY OF INFORMATION

11.1. Jeffrey and BMI will not, without the express written consent of Mag One, disclose any of the terms of this Agreement or any non-public information regarding or relating to the Processing Activities, including any technical, financial, business, processing, or other business information of Mag One and its affiliated companies (the “**Confidential Information**”) to any other person or entity. Notwithstanding anything contained in this section any party shall have the right to disclose Confidential Information in strict confidence to their attorneys or financial and mining consultants and may make any disclosure which may be required by law, securities regulatory bodies, or stock exchanges governing any of the parties. The parties understand that to the extent Mag One is a subsidiary of a public company, the public company may publicly disclose this Agreement, and information concerning this Agreement and the business and operations of Mag One related to the activities contemplated in this Agreement.

12. NOTICE

12.1. Any notice required or permitted to be given under this Agreement shall be in writing and delivered by registered mail, facsimile transmission, courier or by hand, in each case addressed to the intended recipient at the address set out on the first page of this Agreement. Any notice delivered by registered mail, courier or hand will be deemed to have been given on the day it was received. Any notice given by facsimile transmission will be deemed to have been given upon confirmation by telephone of receipt.

13. FORCE MAJEURE

13.1. If a party is prevented from or delayed in performing any of its obligations required under this Agreement by a cause beyond its reasonable control (other than its own lack of funds), then the time for the performance of the obligation shall be extended for a period equivalent to the period of the delay resulting from the cause beyond the party’s reasonable control. A party intending to rely on this section must provide the other party or parties with notice of the occurrence of the event which gives rise to the delay as soon as possible after it occurs.

13.2. A cause beyond a party's reasonable control shall include, but not be limited to, acts of God, fire, floods, explosions, labour disputes, strikes, threats of imminent strike, lockouts or other industrial disturbances, plant breakdowns or failure of operating equipment, interruptions or delays in transportation, war, insurrection or mob violence, nationalization, laws, rules and regulations or orders of any duly constituted governmental authority or non-availability of labour, equipment or materials.

14. DEFAULT

14.1. Where a party is in default with respect to the performance of any of its duties or obligations under this Agreement, a non-defaulting party may provide written notice to the defaulting party specifying the default. If within 30 days (or, if such default cannot reasonably be cured within 30 days, within such period as may reasonably be required to cure such default) after the giving of notice of default by the non-defaulting party or parties, the defaulting party has failed to cure the default, the non-defaulting party shall then be entitled to seek any remedy it may have on account of such default. The defaulting party shall not lose any rights under this Agreement, nor shall the Agreement or the Option, as the case may be, terminate upon notice of the default being given by the non-defaulting party.

15. GENERAL

15.1. Entire Agreement. This Agreement embodies the entire agreement and understanding among the parties hereto and supersedes all prior agreements and undertakings, whether oral or written, relative to the Project and the Processing Activities. MOPI, Jeffrey and BMI agree that the Prior Agreement shall be deemed to have been terminated and of no further force and effect immediately upon the execution of this Agreement by the parties.

15.2. Time of the Essence. Time shall be of the essence of this Agreement.

15.3. Jurisdiction. This Agreement (including all documents relating thereto, which by common accord have been and will be drafted in English) shall be governed by and interpreted in accordance with the laws of the province of Quebec and the laws of Canada applicable therein.

15.4. Language. The parties have agreed that this Agreement and all documents related hereto be prepared in the English Language. Les parties aux présents déclarent qu'elles ont exigé que la présente convention, de même que tous les documents s'y rapportant, soient rédigés en anglais.

15.5. Association of Parties. Nothing contained in this Agreement shall be deemed to constitute a party, a partner, an agent or a legal representative of any other party.

15.6. Headings. The headings of the sections of this Agreement are for convenience only and do not form a part of this Agreement. They are not intended to affect the construction of anything herein contained or govern the rights and liabilities of the parties.

15.7. Approvals. Notwithstanding anything to the contrary herein contained, this Agreement shall be subject to Exchange Acceptance and the prior receipt of any requisite third party consents.

15.8. Further Assurances. Upon the written request of any of the parties, the other parties agree to furnish such additional further assurances or documents as may be reasonably necessary to carry out the intent, purposes and terms of this Agreement.

- 15.9. Enurement. This Agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors, permitted assigns, heirs, administrators and legal representatives.
- 15.10. Assignments. This Agreement and the benefits, rights, duties and obligations hereunder may be assigned by either party, in whole or in part, including by way of joint venture. The assigning party will provide written notice of any assignment to the non-assigning party.
- 15.11. Amendments. This Agreement may only be changed by an agreement in writing, duly executed by the party or parties against which enforcement, waiver, change, modification or discharge is sought.
- 15.12. Severability. If any one or more of the provisions contained herein should be held to be invalid, unenforceable or illegal in any respect in any jurisdiction, the validity, legality and enforceability of such provision shall not in any way be affected or impaired thereby in any other jurisdiction and the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.
- 15.13. Number or Gender. Words used herein importing the singular number only shall include the plural, and vice-versa, and words importing the masculine gender shall include the feminine and neuter genders, and vice-versa, and words importing persons shall include firms and corporations.
- 15.14. Waiver. Waiver of any provisions herein by any party hereto shall not be construed as a waiver of any other provisions or terms of this Agreement.
- 15.15. Execution in Counterpart. This Agreement may be executed in counterparts which may be delivered by facsimile. Each executed counterpart shall be deemed to be an original and all such counterparts when read together constitute one and the same instrument.

IN WITNESS WHEREOF the parties hereto have executed this Agreement on the date first above written.

MINE JEFFREY INC.

Per: "Bernard Coulombe"
Bernard Coulombe

BEAUSITE METAL INC.

Per: "Michel Proulx"
Michel Proulx

MAG ONE OPERATIONS INC.

Per: "Gillian Holcroft"
Gillian Holcroft, President and CEO

MAG ONE PRODUCTS INC.

Per: "Gillian Holcroft"
Gillian Holcroft, President and CEO

This agreement was prepared by Morton Law LLP, Barristers & Solicitors, for MAG ONE OPERATIONS INC. and MAG ONE PRODUCTS INC. It is recommended that other parties hereto obtain independent legal advice with respect to the provisions contained herein.

Schedule A
Description of Tailings

The terraces (stockpiles) of the Tailings are chemically and physically stable. The chemical analysis of this serpentine rock, $\text{Mg}(\text{Si}_2\text{O}_3)\text{OH}_4$ at this Jeffrey site is:

SiO ₂	36-42%
MgO	38-42%
H ₂ O	12-15%

with traces of FeO₂O₃, Al₂O₃, Ni, Cr, etc.

At start-up, in 2002, the Magnola plant at this site had a processing recovery of 90% or 20% magnesium (“Mg”) metal from the Jeffrey tailings’ serpentine rock.

Other characteristics of serpentine rock:	Hardness, works	2.5-4
	Specific gravity	2.4-2.6
	pH	8-10
	Magnetite content	0-5%.