

**PROPERTY OPTION AGREEMENT**

made between

**Jinhua Capital Corp.**

and

**Musk Metals Corp.**

January 19, 2022

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## **PROPERTY OPTION AGREEMENT**

**THIS AGREEMENT** made as of the 19<sup>th</sup> day of January, 2022 (the “**Effective Date**”).

**BETWEEN:**

**Jinhua Capital Corporation**, a corporation organized under the laws of British Columbia

(the “**Optionee**”)

**AND:**

**Musk Metals Corp.** a corporation organized under the laws of British Columbia

(the “**Optionor**”)

**WHEREAS:**

- A. The Optionee and the Optionor executed the Letter of Intent pursuant to which they set out their intention with respect to the Option and the Joint Venture for the Property;
- B. The Optionor has all the rights and title to the Property;
- C. The Optionee wishes to explore the Property and to acquire an option to earn an interest therein; and
- D. The Optionee is a Capital Pool Company (as defined by the policies of the Exchange), and the grant of the Option is intended to constitute the Qualifying Transaction (as defined by the policies of the Exchange) of the Optionee;

**NOW THEREFORE THIS AGREEMENT WITNESSES** that for and in consideration of the terms and conditions set out herein and other good and valuable consideration, the receipt of which is hereby acknowledged, the Parties agree as follows:

### **ARTICLE 1 INTERPRETATION**

#### **1.1 Definitions**

For the purposes of this Agreement, except as otherwise defined herein, the following capitalized words and phrases when used herein have the following meanings:

**43-101** means National Instrument 43-101 of the Canadian Securities Administrators.

**Aboriginal Group** includes any Indian or Indian band, first nation, aboriginal person or people, native person or people, indigenous person or people, Metis person or people and any person representing, or purporting to represent, any of the foregoing.

**Additional Option** means option granted to the Optionee to acquire the remaining 20% Earned Interest as provided in section 3.3.

**Advanced Exploration Program** means all exploration work conducted on the Property after the completion of the Exploration Program until the time when all material information is provided to a third party consultant to prepare a Feasibility Study.

**Affiliate** means, in respect of a Party hereto, a corporation with which that Party is affiliated within the meaning of section 1 of the *Business Corporations Act* (British Columbia), and includes a partnership or joint venture over which a Party exercises control.

**Business Day** means any day other than Saturday, Sunday or any other day on which banking institutions in Vancouver, British Columbia are not open for business.

**Carried Interest** means an undivided beneficial interest in the Property, expressed as a percentage, the holder of which is not responsible for any funding requirements to advance or maintain the Property and whose interest remains constant irrespective of any other interest holder's beneficial interest in the Property.

**Closing Date** has the meaning set out in section 3.1.

**Earned Interest** means the up to 100% beneficial and legal interest in the Property acquired by the Optionee upon exercise of the Option pursuant to the terms hereof.

**Encumbrance** means any mortgage, charge, pledge, hypothecation, security interest, assignment, lien (statutory or otherwise), charge, title retention agreement or arrangement, royalty, restrictive covenant or other encumbrance of any nature.

**Exchange** means the TSX Venture Exchange.

**Expenditure Certificate** has the meaning set out in section 3.8.

**Expenditures** means all costs and expenses of whatever kind or nature spent or incurred by or on behalf of the Optionee from the date hereof in the conduct of exploration and development activities on or in relation to the Property including, without limitation:

- (a) in holding the Property in good standing (including any monies expended as required to comply with applicable laws and regulations, such as for the completion and submission of assessment work and filings required in connection therewith), in curing title defects and in acquiring and maintaining surface and other ancillary rights;
- (b) in making payments or expenditures required or advisable under any instruments governing the Property;

- (c) in preparing for and in the application for and acquisition of environmental and other permits necessary or desirable to commence and complete exploration and development activities on the Property;
- (d) in doing geophysical and geological surveys, drilling, assaying and metallurgical testing, including costs of assays, metallurgical testing and other tests and analyses to determine the quantity and quality of Minerals, water and other materials or substances;
- (e) in the preparation of an Exploration Program and reporting as to the results thereof;
- (f) in acquiring facilities or the use thereof and for all parts, supplies and consumables;
- (g) for salaries and wages, including actual labour overhead expenses for employees assigned to exploration and development activities;
- (h) travelling expenses and fringe benefits (whether or not required by law) of all persons engaged in work with respect to and for the benefit of the Property including for their food, lodging and other reasonable needs;
- (i) payments to contractors or consultants for work done, services rendered or materials supplied;
- (j) all taxes levied against or in respect of the Property or activities thereon and the cost of insurance premiums and performance bonds or other security; and
- (k) a charge equal to the percentage set out below of all Expenditures referred to in clauses (a) to (i) above for unallocable overhead and head office expenses of the Optionee and all other expenses relating to supervision and management of all work done with respect to and for the benefit of the Property which will be equal to: (i) 10% during any Exploration Program; (ii) 5% during any Advanced Exploration Program; and (iii) 3% during Feasibility Study, mine construction and production.

**Exploration Program** means all exploration work conducted on the Property before any indicated mineral resource or measured mineral resource are established in accordance with 43-101.

**Feasibility Study** has the meaning ascribed to that term by the Canadian Institute of Mining, Metallurgy and Petroleum, as the CIM Definition Standards on Mineral Resources and Mineral Reserves adopted by the CIM Council, as of the date hereof.

**Initial Option** means option granted to the Optionee to acquire the initial 80% Earned Interest as provided in section 3.2.

**Joint Venture** means the joint venture formed in accordance with section 3.2.

**Joint Venture Agreement Terms** means the terms of the Joint Venture set out Schedule C attached hereto, which will be formalized into a definitive joint venture agreement upon formation of the Joint Venture on the exercise of the Initial Option.

**Letter of Intent** means the letter of intent dated October 21, 2021 between the Optionee and the Optionor, pursuant to which the Optionor set out its intention to grant the Option to the Optionee and the Parties set out their intention to enter into the Joint Venture in accordance with the Joint Venture Agreement Terms.

**Minerals** means any and all minerals, and concentrates or metals derived therefrom, including without limitation all precious, base and industrial minerals and which are found in, on or under the Property and may lawfully be explored for, mined and sold pursuant to the Mineral Rights and other instruments of title under which the Property is held.

**Mineral Rights** means the mineral claims, leases, tenures and other rights to minerals, or to work upon lands for the purpose of searching for, developing or extracting minerals under any forms of mineral title recognized under the laws of Quebec or any subdivision thereof, whether contractual, statutory or otherwise.

**Option** means the Initial Option and the Additional Option granted to the Optionee to acquire the Earned Interest as provided in Article 3.

**Option Period** means the period during which the Option remains in effect under this Agreement.

**Optionee** means Jinhua Capital Corporation or any person to whom the Option has been transferred as permitted under the conditions herein.

**Optionor** means Musk Metals Corp. or any person to whom the Property has been transferred during the Option Period under the conditions herein.

**Optionor Expenditures** has the meaning set out in section 3.5.

**Participating Interest** means an undivided beneficial interest in the Property, expressed as a percentage, the holder of which is responsible for any funding requirements to advance or maintain the Property.

**Party** means a party to this Agreement and Parties shall mean the Optionor and the Optionee.

**Permitted Encumbrances** means the Encumbrances applicable to the Property as listed in Schedule B.

**Private Placement** means the non-brokered equity financing of the Optionee for gross proceeds of at least \$400,000 in accordance with the policies of the Exchange, less any Optionor Expenditures incurred by the Optionor from the Effective Date to the Closing Date in accordance with section 3.5 and section 3.8.

**Program** means a plan and budget for exploration or development work to be carried out at any time during the Option Period.

**Property** means the Mineral Rights comprising the Pluto Property described in Schedule A, together with any renewal of any of such Mineral Rights and any other form of successor or substitute title therefore.

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



## **1.2 Included Words**

This Agreement will be read with such changes in gender or number as the context requires.

## **1.3 Headings**

The headings to the articles, sections, subsections or clauses of this Agreement are inserted for convenience only and are not intended to affect the construction hereof.

## **1.4 References**

Unless otherwise stated, a reference herein to a numbered or lettered article, section, subsection, clause or schedule refers to the article, section, subsection, clause or schedule bearing that number or letter in this Agreement. A reference to "this Agreement", "hereof", "hereunder", "herein" or words of similar meaning, means this Agreement including the schedules hereto, together with any amendments thereof.

## **1.5 Currency**

All dollar amounts expressed herein, unless otherwise specified, refer to lawful currency of Canada.

## **1.6 Knowledge**

Where any representation or warranty contained in this Agreement is expressly qualified by reference to the knowledge of the Optionor, the Optionor confirms that it has made due and diligent inquiry of such persons (including appropriate officers of the Optionor) as it considers necessary as to the matters that are the subject of the representations and warranties.

## **1.7 Schedules**

The following schedules are attached to and incorporated in this Agreement by this reference:

Schedule A	Property Description
Schedule B	Permitted Encumbrances
Schedule C	Joint Venture Agreement Terms

## **1.8 Governing Law**

This Agreement will be construed according to and governed by the laws in force in the Province of B.C. and, except where matters are expressed herein to be subject to arbitration, the courts of such Province will have exclusive jurisdiction to hear and determine all disputes arising hereunder. Nothing contained in this section 1.8 is intended to affect the rights of a Party to enforce a judgement or award outside of the Province of British Columbia.

## **1.9 Severability**

If any provision of this Agreement is or becomes illegal, invalid or unenforceable, in whole or in part, the remaining provisions will nevertheless be and remain valid and subsisting and the said

remaining provisions will be construed as if this Agreement had been executed without the illegal, invalid or unenforceable portion.

## **ARTICLE 2 REPRESENTATIONS AND WARRANTIES**

### **2.1 Mutual Representations and Warranties**

Each Party represents and warrants to the other Party hereto that:

- (a) it is a body corporate duly incorporated or continued and duly organized and validly subsisting under the laws of its organizational jurisdiction;
- (b) it has full power and authority to carry on its business and to enter into this Agreement;
- (c) neither the execution and delivery of this Agreement nor the consummation of the transactions hereby contemplated conflict with, result in the breach of or accelerate the performance required by any agreement to which it is a party;
- (d) the execution and delivery of this Agreement do not violate or result in the breach of the laws of any jurisdiction applicable to a Party or pertaining thereto or of its organizational documents;
- (e) all corporate authorizations have been obtained for the execution of this Agreement and for the performance of its obligations hereunder; and
- (f) this Agreement constitutes a legal, valid and binding obligation of the Party enforceable against it in accordance with its terms, subject to the usual exceptions as to bankruptcy and the availability of equitable remedies.

### **2.2 Optionor's Representations and Warranties**

The Optionor represents and warrants to the Optionee that:

- (a) the Mineral Rights comprising the Property, and any Permitted Encumbrances in relation thereto, are properly and accurately described in Schedule B;
- (b) each of the Mineral Rights comprised in the Property is in good standing under the laws of the Province of Quebec as to the incurring of expenditures and the payment of taxes or other monies to the expiry dates shown in Schedule A, and all work in relation to the Property that is eligible for credit under the laws of Province of Quebec has been properly and accurately filed;
- (c) the Mineral Rights comprised in the Property have been duly and validly staked and recorded or otherwise properly and legally acquired;
- (d) it is the registered holder of each of the Mineral Rights listed in Schedule A as shown therein, and except for the Permitted Encumbrances, is free and clear of all Encumbrances, and the Optionor is in exclusive possession of such Mineral Rights;

- (e) other than the Permitted Encumbrances, there are no outstanding agreements or options to acquire or purchase any of the Mineral Rights comprised in the Property, no person has any royalty or other interest whatsoever in production therefrom, and there is no adverse claim or challenge (including, without limitation, any aboriginal land claim) against or to the ownership of or title to any of the Mineral Rights described in Schedule A, nor to the best of its knowledge is there any basis therefor;
- (f) all payments to be made and obligations to be fulfilled by the Optionor as of the date hereof pursuant to any applicable laws and regulations have been made or fulfilled, there has been no notice given of default, claiming an indemnity, of an intention to abandon property or any other notice contemplated thereunder to be given by the Optionor, and the Optionor has not waived or postponed any of its rights thereunder;
- (g) there are no rights of first refusal, back in rights, bump up rights, abandonment rights or other rights, options or elections under the any instrument or agreement which would affect the Optionor's right, title and interest in and to the Property;
- (h) the Optionor has received no notice and has no knowledge of any proposal to terminate or vary the terms of or rights attaching to any of the Mineral Rights described in Schedule A from any government or other regulatory authority;
- (i) no proceedings are pending for and the Optionor is not aware of any basis for the institution of any proceedings leading to the dissolution or winding-up of the Optionor or the placing of it into bankruptcy or subject to any other laws governing the affairs of insolvent persons;
- (j) there are no orders or directions relating to environmental matters requiring any work, repairs, construction or capital expenditures with respect to any of the Property or the conduct of the business related thereto, nor to the best of its knowledge have any activities on the Property been in violation of any environmental law, regulations or regulatory prohibition or order, and to the best of its knowledge, conditions on and relating to the Property are in compliance with such laws, regulations, prohibitions and orders;
- (k) the Optionor has advised the Optionee of all of the material information relating to the mineral potential of the Mineral Rights of which it has knowledge; and
- (l) to the best of the its knowledge, there is no fact or circumstance known to the Optionor which has not been disclosed to the Optionee which would render any of the foregoing representations and warranties untrue, incomplete or otherwise misleading.

### **2.3 Optionee's Representations and Warranties**

The Optionee represents, warrants and covenants to the Optionor that:

- (a) as of the date hereof, the number of issued and outstanding Shares is 17,681,636; and
- (b) the issuance of any Shares to the Optionor as set out in section 3.2 has been duly authorized by the Optionee and all such Shares have been reserved for issuance to the Optionor and upon the issuance of such Shares to the Optionee in accordance with the

terms hereof, the Shares will be validly issued and outstanding as fully paid, non-assessable Shares in the capital of the Optionee.

## **2.4 Survival of Representations and Warranties**

The representations, warranties and covenants contained in this Agreement are conditions on which the Parties have relied in entering into this Agreement and will survive the execution hereof and the acquisition of any interest in the Property by the Optionee hereunder. Each Party 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, warranty, covenant, agreement or condition made by them and contained in this Agreement. A Party may waive any of such representations, warranties, covenants, agreements or conditions in whole or in part at any time without prejudice of its right in respect of any other breach of the same or any other representation, warranty, covenant, agreement or condition.

## **ARTICLE 3 OPTION**

### **3.1 Grant of Option**

Subject to the approval of the Exchange and the concurrent closing of the Private Placement (the “**Closing Date**”), the Optionor will grant to the Optionee the sole and exclusive right and option, in accordance with the other provisions of this Article 3, to acquire up to an undivided 100% right, title and interest in and to the Property, free and clear of all Encumbrances except for the Permitted Encumbrances described in Schedule B.

### **3.2 Exercise of the Initial Option.**

The Initial Option will be deemed to be exercised by the Optionee upon the Optionee:

- (a) paying the following amounts to the Optionor:
  - (i) \$118,324 in cash, Shares, or combination thereof, at the sole election of the Optionee on the Closing Date; and
  - (ii) \$118,324 in cash, Shares, or combination thereof, at the sole election of the Optionee on or before the date that is 18 months from the Closing Date.

Upon satisfaction of the conditions set out in this section, the Initial Option will be deemed to be exercised, and an undivided 80% right, title and interest in and to the Property will automatically vest in the Optionee and the Optionor will promptly register such interest in the name of the Optionee in accordance with section 4.5. Upon the exercise of the Initial Option, (a) the Optionor and the Optionee will be deemed to have formed the Joint Venture based upon the interests set out in section 5.2 and shall promptly finalize and execute a joint venture agreement based upon the Joint Venture Agreement Terms. The Optionee will initially have a Participating Interest in the Joint Venture and the Optionor will initially have a Carried Interest in the Joint Venture until the earlier of: (x) exercise of the Additional Option; and (y) termination of the Additional Option. In the event the Additional Option is terminated for failing to satisfy the conditions thereof, the Optionor’s interest in the Property will automatically change to a Participating Interest. Any Shares issuable hereunder will be deemed to be issued at the price of the Private Placement, subject to the policies of the Exchange.

### 3.3 Exercise of the Additional Option

The Additional Option will be deemed to be exercised by the Optionee upon the Optionee:

- (a) incurring at least \$250,000 in Expenditures on or before the fourth anniversary of the Effective Date; and
- (b) incurring at least an additional \$500,000 (\$750,000 in the aggregate) in Expenditures on or before the fifth anniversary of the Effective Date.

Upon satisfaction of the conditions set out in this section, the Additional Option will be deemed to be exercised, and an additional undivided 20% right, title and interest (100% in the aggregate) in and to the Property will automatically vest in the Optionee and the Optionor will promptly register such interest in the name of the Optionee in accordance with section 4.5. Upon the exercise of the Additional Option, the Joint Venture will terminate. In the event that the Optionee fails to satisfy the conditions set out in this Section, the Additional Option will terminate, the Optionor's interest will automatically change from a Carried Interest to a Participating Interest, and the Parties will proceed to advance the Property in accordance with the Joint Venture Agreement Terms.

### 3.4 Excess Expenditures and Time Requirements.

- (a) Excess Expenditures from any one year can be carried forward by the Optionee and applied to the next calendar year.
- (b) Unless waived in writing by the Optionor, the failure to make any payment, issue any Shares or incur any Expenditure on or prior to the dates set out in Article 3 will terminate the Option, subject to a 45 day cure period in favour of the Optionee. Notwithstanding the foregoing, the Optionee will be permitted to have a shortfall of up to 25% of the Expenditures in any one-year period, provided that such shortfall is made up in the immediate subsequent calendar year, if applicable.
- (c) The Optionee may accelerate the exercise of the Option by early payment, issuance and incurrence of Expenditures in its sole election.

### 3.5 Optionor Expenditures

Notwithstanding any other provision herein to the contrary, from the Effective Date to December 31, 2022, the Optionor has the sole and exclusive right but not the obligation to conduct Expenditures on the Property of up to \$200,000 (the "**Optionor Expenditures**"). Upon the Optionor complying with section 3.8 (except that, for the purposes of this section 3.5, all references in section 3.8 to "Optionor" shall be read as "Optionee" and all references to "Optionee" shall be read as "Optionor"), the Optionee will reimburse the Optionor Expenditures to the Optionor in cash, Shares, or combination thereof, at the sole election of the Optionee. Any Shares issuable pursuant to this section 3.5 will be subject to the approval of the Exchange and issued at the Discounted Market Price as of the date that the Expenditure Certificate is received by the Optionee, or as otherwise required by the Exchange. The Optionee will reimburse the Optionor for the Optionor Expenditures within 7 days if reimbursed in cash, and within 7 days of Exchange approval if reimbursed in Shares or in cash and Shares.

### **3.6 Securities Law**

All certificates for Shares issuable hereunder shall carry a legend as required by applicable securities laws and regulations of the Optionee. The Optionor acknowledges that the Shares are being issued in accordance with an exemption from the prospectus requirements of applicable securities laws pursuant to section 2.13 of National Instrument 45-106 and the Optionee shall file all required reports of such exempt distribution as is required by applicable laws.

### **3.7 Termination of Option**

- (a) Prior to earning the Initial Interest, the Option shall terminate:
  - (i) by mutual written agreement of the Parties;
  - (ii) subject to section 3.4 hereof, upon the Optionee failing to incur or make any expenditure or payment or to issue the Shares, which must be incurred or made or issued, as applicable, to exercise the Option as required by this Agreement;
  - (iii) at any other time, by the Optionee giving 30 days notice of such termination to the Optionor; or
  - (iv) immediately, if the Optionor is in breach of any other provisions of this Agreement and fails to rectify the breach within 30 days after written notice of such breach from the Optionor.
- (b) Prior to earning the Initial Interest, if the Option is terminated otherwise than upon the exercise thereof, the Optionee shall:
  - (i) not earn any interest, right or title in or to the Mineral Rights or Property and such Mineral Rights and Property shall remain vested in the Optionor;
  - (ii) leave in good standing for a period of at least one year from the termination of the Option Period those Mineral Rights comprising the Property; and
  - (iii) deliver or make available at no cost to the Optionor within 90 calendar days of such termination, all drill core, 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.
- (c) Prior to earning the Initial Interest, if the Option is terminated otherwise than upon the exercise thereof, the Optionee shall have the right, within a period of 180 calendar days following the end of the Option Period, to remove from the Property any 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 180 day period shall thereafter become the property of the Optionor.
- (d) For greater certainty, the incurring of Expenditures, the issuance of Shares and the making of option payments set forth in this Article 3 are within the sole discretion of the

Optionee, who may elect at any time to terminate the Option with no obligation to incur further Expenditures except as required by 3.6(b)(ii). However, any obligation of the Optionee to make cash payments to the Optionor or issue Shares to the Optionor prior to the effective date of a permitted termination in accordance with section 3.7(a) shall be required to be satisfied and the termination of the Option shall not extinguish such obligations or any other any liability or claim that accrued prior to the termination of the Agreement.

### **3.8 Expenditure Statement and Audit**

An itemized statement of Expenditures incurred in any period certified to be correct by an officer of the Optionee shall be conclusive evidence of the making of such Expenditures (each, an **"Expenditure Certificate"**) unless within 60 days of receipt of such statement the Optionor delivers a written objection to the statement to the Optionee. If the Optionor delivers a written objection within such 60 day period, then the Optionor shall be entitled to request that an independent auditor appointed by the Optionor audit the Expenditures provided for in the statement of Expenditures that is the subject of the written objection, and:

- (a) if the auditors determine that the statement of Expenditures is accurate within five (5%) percent of actual Expenditures or that actual Expenditures incurred exceed the statement of Expenditures by more than five (5%) percent of those stated, then the costs of the audit will be borne by the Optionor, and the excess Expenditures will be credited towards the cash payments or number of Shares required to be issued to exercise the Initial Option (calculated by the number of Shares multiplied by the deemed price thereof), at the election of the Optionee; or
- (b) if the auditors determine that the statement of Expenditures overstates Expenditures (whether by inclusion of ineligible costs, inflation of costs or for any other reason) by greater than a five (5%) percent margin, then the costs of the audit will be borne by the Optionee (and shall not be an eligible Expenditure) and whatever the overstatement, only the actual Expenditures so determined will constitute Expenditures for the purposes of Article 3, as applicable.

If any such determination results in a deficiency in the amount of Expenditures required to be incurred under Article 3, then the Optionee, at its sole election, may pay to the Optionor within 30 days after such determination the amount equal to the shortfall in Expenditures or it may credit and incur an additional amount of Expenditures equal to the shortfall in Expenditures within 60 days thereafter or such longer period as agreed by the Optionor acting reasonably and such additional amount shall be deemed to satisfy such shortfall in Expenditures.

The auditors' determination of Expenditures will be final and determinative of the amounts stated in the statement in question, and will not be subject to arbitration hereunder.

**ARTICLE 4**  
**OPTION PERIOD RIGHTS AND OBLIGATIONS**

**4.1 Optionee's Right of Entry**

Throughout the Option Period, the Optionee and its employees, agents and independent contractors will have the exclusive rights provided under the Mineral Rights to:

- (a) enter the Property for the purposes of mineral exploration thereon;
- (b) subject to the Optionor's rights under section 3.5, have exclusive and quiet possession of such Mineral Rights; and
- (c) carry out exploration, development and evaluation activities including, without limitation, the removal of Minerals.

The Optionee's rights pursuant to this section 4.1 will at all times be subject to any restrictions that may be required by applicable laws or by regulatory authority and to reasonable rights of entry and access reserved to the Optionor hereunder. Without limiting the foregoing, the Optionee's rights to enter upon the Property or to erect upon the Property such structures or other facilities as may be necessary or advisable to carry out exploration, development and evaluation shall be subject to obtaining all necessary consents, permits or approvals under applicable laws.

**4.2 Optionee's Obligations**

The Optionee is obligated during the Option Period:

- (a) to keep the Property in good standing by the doing and filing of all necessary work and by the doing of all other acts and things and making all other payments which may be necessary in that regard and, in doing so, to conduct all work on or with respect to the Property, in a manner consistent with good mining practice and in compliance with all applicable laws and instruments governing the Property;
- (b) to keep the Property free and clear of all Encumbrances arising from its operations hereunder (except liens for taxes not yet due, other inchoate liens and liens contested in good faith by the Optionee) and will proceed with all diligence to contest and discharge any such lien that is filed;
- (c) to permit the directors, officers, employees and designated consultants and agents of the Optionor, at their own risk, access to the Property at all reasonable times, provided that the Optionor will indemnify the Optionee against and save it harmless from all costs, claims, liabilities and expenses that the Optionee may incur or suffer as a result of any injury (including injury causing death) to any director, officer, employee, designated consultant or agent of the Optionor while on the Property except to the extent that any such costs, claims, liabilities or expenses result from the Optionee's gross negligence or wilful misconduct;
- (d) if requested by the Optionor, to deliver to the Optionor quarterly reports on or before 30 days following the end of each quarter, or such shorter period of time as reasonably required by the Optionor to address any disclosure requirements as mandated under



applicable securities laws, disclosing any significant technical data learned or obtained in connection with work in respect of the Property, as well as a breakdown of Expenditures incurred in carrying out such work;

- (e) if requested by the Optionor, to deliver to the Optionor reports for annual periods, disclosing any significant technical data learned or obtained in connection with work in respect of the Property, as well as a breakdown of Expenditures incurred in carrying out such work, on or before 60 days following the Optionee's financial year end; and
- (f) to maintain true and correct books, accounts and records of Expenditures.

#### **4.3 Technical Committee**

During the Option Period, the Optionee and the Optionor agree to jointly establish an annual plan and budget for exploration, development and Expenditures in relation to the Project. To that end, the Parties will establish a technical committee (the "**Technical Committee**"), consisting of three members from the Optionee and one member from the Optionor, which will meet quarterly to discuss exploration activities in relation to the Property provided there is a quorum of at least two members from the Optionee present in person or by teleconference.

#### **4.4 Emergency Expenditures**

During the Option, the Optionor shall not be required to incur any Expenditures with respect to the Property. Notwithstanding any other provision of this Agreement, the Optionor will be entitled to incur as Expenditures all costs and expenses necessary to preserve or protect life, limb, property or the environment in respect of the Property in the course of exploration or development activities or to maintain the Property in good standing where the Optionee has failed to do so. The Optionor's rights to incur Expenditures hereunder are in addition to and not in substitution for the Optionee's right to terminate as set out in section 3.7 hereof. Any Expenditures made by the Optionor pursuant to this section must be fully reimbursed by the Optionee in order for the Optionee to earn its Initial Interest, provided always that the Optionee shall not be required to reimburse for any amount in excess of the aggregate maximum Expenditures required under this Agreement. Where the Optionee has incurred all of the Expenditures required under this Agreement, any Expenditures incurred by the Optionor and not reimbursed by the Optionee during the Option Period shall be counted towards the Optionor's expenses in increasing the Optionor's interest in the Joint Venture in accordance with section 6.2 hereof.

#### **4.5 Registered Title**

The Optionor, as shown in Schedule A, will remain the registered holder of the Mineral Rights comprised in the Property, as it exists on the date hereof until the exercise of the Initial Option. Upon the Optionee acquiring an Earned Interest in the Property, the Optionor shall as soon as practicable, and in any event within five (5) days thereafter, register the Optionee's Earned Interest and complete such transfer of the interest from the Optionor to the Optionee, and the Optionee shall become a recorded holder of the Property. The Optionor or the Optionee, to the extent that it is the recorded holder of any Mineral Rights comprised in the Property, will hold title to the Property subject to this Agreement.

#### **4.6 Abandonment of Property**

The Optionee may surrender or abandon any Mineral Rights comprised in the Property, provided that notice of such proposed abandonment is given to the Optionor, who may elect, by notice to the Optionee within 30 days after the surrender or abandonment notice, to retain Mineral Rights at its own cost. The Optionee must leave the Property in good standing for a period of at least one year from notice of the Optionee's intention to abandon or surrender any Mineral Rights. Failing such election, the Mineral Rights may be abandoned or surrendered as proposed by the Optionee. Following a transfer or abandonment under this section, the Mineral Rights so transferred or abandoned will thereafter cease to form part of the Property and will no longer be subject to this Agreement, save and except with respect to such obligations or liabilities of the Optionor or the Optionee as have accrued to the date of such transfer or abandonment.

### **ARTICLE 5 FORMATION OF JOINT VENTURE**

#### **5.1 Formation of Joint Venture**

The Joint Venture shall be deemed to be formed in accordance with sections 3.2, to be governed by the terms and conditions of the Joint Venture Agreement Terms.

#### **5.2 Initial Interests and Expenditures**

Upon the formation of the Joint Venture in accordance with section 3.2, the Optionee will have a Participating Interest of 80% and the Optionor will have a Carried Interest of 20%, and each of them will have initial, actual and deemed Expenditures as follows:

(a) Optionee: 80%

\$189,318 plus 80% of Expenditures incurred pursuant to sections 3.2(a) and (b) and section 3.5; and

(b) Optionor: 20%

\$47,329 plus 20% of Expenditures incurred pursuant to sections 3.2(a) and (b) and section 3.5.

#### **5.3 Joint Venture Operator**

The Optionee, being the Party with the larger initial Participating Interest, will be the initial operator under the Joint Venture Agreement Terms, and will remain the operator only so long as it maintains at least a 50% interest in the Property.

## **ARTICLE 6 TRANSFERS**

### **6.1 Limitations on Transfers**

During the Option Period, (i) the Optionee shall not transfer or assign, directly or indirectly, its rights or obligations under this Agreement to another party without the prior written consent of the Optionor, and (ii) the Optionor may transfer any part of its interest in the Mineral Rights (at all times such interest subject to the Option) and this Agreement to another party without consent of the Optionee provided that the party agrees in writing to be bound to all of the rights and obligations of the Optionor hereunder.

## **ARTICLE 7 FORCE MAJEURE**

### **7.1 Events**

Notwithstanding any other provisions contained herein, a Party will not be liable for its failure to perform any of its obligations under this Agreement due to a cause solely beyond its control (except those caused by its own lack of funds) including, but not limited to: acts of God, fire, flood, explosion, strikes, lockouts or other industrial disturbances; laws, rules and regulations or orders of any duly constituted court or governmental authority; or non-availability of materials or transportation; or protests, demonstrations or other events causing work stoppages by environmental lobbyists, Aboriginal Group (in this article each an “**Intervening Event**”).

### **7.2 Effect of Intervening Events**

All time limits imposed by this Agreement (other than for the payment of monies) will be extended by a period equivalent to the period of delay resulting from an Intervening Event described in section 7.1.

### **7.3 Obligation to Remove Intervening Events**

A Party relying on the provisions of this Article 7 will take all reasonable steps to eliminate any Intervening Event and, if possible, will perform its obligations under this Agreement as far as practical, but nothing herein will require such Party to settle or adjust any labour dispute or to question or to test the validity of any law, rule, regulation or order of any duly constituted court or governmental authority or to complete its obligations under this Agreement if an Intervening Event renders completion impossible.

### **7.4 Giving Notice**

A Party relying on the provisions of this Article 7 will give notice to the other Party forthwith upon the occurrence of the Intervening Event and forthwith after the end of the period of delay when such Intervening Event has been eliminated or rectified.

## **ARTICLE 8 CONFIDENTIAL INFORMATION**

### **8.1 Confidential Information**

Except as specifically otherwise provided for herein, the Parties will keep confidential all data and information respecting this Agreement and the Property and will refrain from using it other than for the activities contemplated hereunder or publicly disclosing unless required by law or by the rules and regulations of any regulatory authority or stock exchange having jurisdiction, or with the written consent of the other Party, such consent not to be unreasonably withheld.

### **8.2 Fraudulent or Negligent Disclosure**

The Optionor will not be liable to the Optionee nor will the Optionee be liable to the Optionor for the fraudulent or negligent disclosure of information by any of its employees, servants or agents, provided that the Optionor or the Optionee, as the case may be, has taken reasonable steps to ensure the preservation of the confidential nature of such information.

### **8.3 Information in Public Domain**

The provisions of this Article 8 do not apply to information which is or becomes part of the public domain other than through a breach of the terms hereof.

### **8.4 Request to Disclose**

Where a request is made for permission to disclose confidential information hereunder, a reply thereto will be made within 3 Business Days after receipt of such request, failing which the Party requesting will be entitled to disclose such information in the limited circumstances specified in such request as if such consent had been given.

### **8.5 News Release**

The Parties will consult with each other prior to issuing any news release or other public statement regarding the Property or the activities of the Optionee or the Optionor with respect thereto. In addition, each Party will obtain prior approval from the other Party before issuing any news release or public statement using the other Party's name or the names of any of the other Party's assignees or of any of the officers, directors or employees of the other Party or of its assignees, unless disclosure is required by applicable law or the policies of any stock exchange, in which case the disclosing party shall give a reasonable opportunity to the non-disclosing party to make reasonable comments on such news release.

## **ARTICLE 9 ARBITRATION**

### **9.1 Single Arbitrator**

Any matter in dispute hereunder will be determined by a single arbitrator to be appointed by the Parties.

## **9.2 Prior Notice**

Any Party may refer any such matter to arbitration by written notice to the other Party and, within 15 Business Days after receipt of such notice, the Parties will agree on the appointment of an arbitrator. No person will be appointed as an arbitrator hereunder unless such person agrees in writing to act.

## **9.3 No Agreement**

If the Parties cannot agree on a single arbitrator as provided in section 9.2, or if the person appointed is unwilling or unable to act, either Party may submit the matter to arbitration before a single arbitrator in accordance with the *Arbitration Act* (British Columbia) (in this article the “**Act**”).

## **9.4 Conduct of Arbitration**

Except as specifically provided in this Article 9, an arbitration hereunder will be conducted in accordance with the Act. The arbitrator will fix a time and place in Vancouver, British Columbia for the purpose of hearing the evidence and representations of the Parties and he will preside over the arbitration and determine all questions of procedure not provided for under such Act or this Article 9. After hearing any evidence and representations that the Parties may submit, the arbitrator will make an award and reduce the same to writing and deliver one copy thereof to each of the Parties. The decision of the arbitrator will be made within 45 days after his appointment, subject to any reasonable delay due to unforeseen circumstances. The expense of the arbitration will be paid as specified in the award. The award of the single arbitrator will be final and binding upon each of the Parties.

# **ARTICLE 10 ACTIVITIES AND INTERESTS**

## **10.1 Other Activities and Interests**

This Agreement and the rights and obligations of the Parties hereunder are strictly limited to the Property. Each Party shall have the free and unrestricted right to enter into, conduct and benefit from business ventures of any kind whatsoever, whether or not competitive with the activities undertaken pursuant hereto, without disclosing such activities to the other Party or inviting or allowing the other to participate.

# **ARTICLE 11 NOTICE**

## **11.1 Method**

Each notice, demand or other communication (in this article the “**Notice**”) required or permitted to be given under this Agreement will be in writing and will be personally delivered or sent by registered mail to other Party with a copy by email as follows:

(a) If to the Optionor at:

Attention: Emily Sewell CFO

with copy by email to: Emily.s@muskmetals.ca

(b) if to the Optionee at:

Attention: President  
Negar Adam CFO

with copy by email to negar@cococapital.ca

A Notice, if personally delivered, will be deemed to have been given and received on the date of actual delivery and, if given by registered mail, will be deemed to have been given and received on fifth day after it was sent.

### **11.2 Amending Addresses**

Either Party may at any time and from time to time notify the other Party in accordance with this 12 of a change of address or email address, to which all Notices will be given to it thereafter until further notice in accordance with this 12.

## **ARTICLE 12 GENERAL**

### **12.1 Other Activities and Interests**

This Agreement and the rights and obligations of the Parties hereunder are strictly limited to the Property. Each Party will have the free and unrestricted right to enter into, conduct and benefit from business ventures of any kind whatsoever, whether or not competitive with the activities undertaken pursuant hereto, without disclosing such activities to the other Party or inviting or allowing the other to participate including, without limitation, involving Mineral Rights adjoining or in the area of the Property or which previously formed a part of the Property.

### **12.2 Entire Agreement**

This Agreement and the exhibits hereto constitute the entire agreement among the Parties and supersedes and replaces any preliminary or other agreement or arrangement, whether oral or written, express or implied, statutory, or otherwise heretofore existing among the Parties in respect of the subject matter of this Agreement including, without limitation, the Term Sheet. This Agreement may not be amended or modified except by an instrument in writing signed by each of the Parties.

### **12.3 No Waiver**

No consent or waiver expressed or implied by either Party in respect of any breach or default by the other in the performance by such other of its obligations hereunder will be deemed or construed to be a consent to or a waiver of any other breach or default.

### **12.4 Further Assurances**

The Parties will promptly execute or cause to be executed all documents, deeds, conveyances and other instruments of further assurance which may be reasonably necessary or advisable to carry out

fully the intent of this Agreement or to record wherever appropriate the respective interests from time to time of the Parties in the Property.

#### **12.5 Manner of Payment**

All payments to be made to any Party may be made by wire transfer, certified cheque or bank draft mailed or delivered to such Party at its address for notice purposes as provided herein, or for the account of such Party at such bank or banks in Canada as such Party may designate from time to time by written notice. Such bank or banks will be deemed the agent of the designating Party for the purposes of receiving, collecting, and receipting such payment.

#### **12.6 Enurement**

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

#### **12.7 Special Remedies**

Each of the Parties agrees that its failure to comply with the covenants and restrictions set out in section 4.6, Article 6, Article 8 or Article 9 would constitute an injury and cause damage to the other Party impossible to measure monetarily. Therefore, in the event of any such failure, the other Party will, in addition and without prejudice to any other rights and remedies that it may have at law or in equity, be entitled to injunctive relief restraining, enjoining or specifically enforcing the provisions of section 4.6, Article 6, Article 8 or Article 9, as the case may be, and any Party intending to breach or which breaches the provisions of section 4.6, Article 6, Article 8 or Article 9 hereby waives any defence it may have in law to such injunctive or equitable relief.

#### **12.8 Time of the Essence**

Time is of the essence in the performance of each obligation under this Agreement.

#### **12.9 Registration of Agreement**

Either party shall have the right to register this Agreement in any applicable public records registries of British Columbia in which it is required or customary to register agreements pertaining to land and/or mineral rights.

#### **12.10 Regulatory approval**

This Agreement and all schedules attached hereto are subject to approval from the Exchange and any other applicable regulatory approval, if required.

#### **12.11 Counterparts**

This Agreement may be executed in any number of counterparts and each counterpart, when so executed and delivered, shall be deemed to be an original and all such executed counterparts taken together shall constitute one and the same instrument.

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

**JINHUA CAPITAL CORPORATION**

Per: *"Negar Adam"*

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Name: Negar Adam

Title: CEO & Director

I have authority to bind the Corporation



**MUSK METALS CORP.**

Per: *"Emily Sewell"*

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Name: Emily Sewell  
Title: CFO & Director

I have authority to bind the Corporation

## SCHEDULE A

### PROPERTY DESCRIPTION

The Property is situated in the Eeyou Istchee / Baie-James territory of Quebec and is composed of 58 active claims covering an area of approximately 3,223 hectares.

The Property is made up of a series of crustal-scale deformation zones and highly prospective sedimentary-volcanic rock contacts. The Property is located west of the town of Chibougamau, Que., which provides excellent infrastructure and an experienced local work force for exploration and mining activities. The Property has been underexplored for base and precious metals, and historic assay results returned Cu-Zn-Au-Ag values. Some historic diamond drill holes returned visible sulphide mineralization and VMS (volcanogenic massive sulphide) showings (Dolomieu-Sud).

<u>Title Number</u>		<u>Issue Date</u>	<u>Expiry Date</u>	<u>Area (Ha)</u>
SNRC 32G14	2494544	01-06-2017 0:00	31-05-2022 23:59	55.57
SNRC 32G15	2494570	01-06-2017 0:00	31-05-2022 23:59	55.57
SNRC 32G14	2508256	09-01-2018 0:00	08-01-2022 23:59	55.57
SNRC 32G14	2510250	23-01-2018 0:00	22-01-2022 23:59	55.6
SNRC 32G14	2494489	01-06-2017 0:00	31-05-2022 23:59	55.59
SNRC 32G14	2494490	01-06-2017 0:00	31-05-2022 23:59	55.59
SNRC 32G14	2494493	01-06-2017 0:00	31-05-2022 23:59	55.59
SNRC 32G14	2494494	01-06-2017 0:00	31-05-2022 23:59	55.59
SNRC 32G14	2494495	01-06-2017 0:00	31-05-2022 23:59	55.59
SNRC 32G14	2494496	01-06-2017 0:00	31-05-2022 23:59	55.59
SNRC 32G14	2494497	01-06-2017 0:00	31-05-2022 23:59	55.59
SNRC 32G14	2494498	01-06-2017 0:00	31-05-2022 23:59	55.59
SNRC 32G14	2494499	01-06-2017 0:00	31-05-2022 23:59	55.59
SNRC 32G14	2494502	01-06-2017 0:00	31-05-2022 23:59	55.58
SNRC 32G14	2494503	01-06-2017 0:00	31-05-2022 23:59	55.58
SNRC 32G14	2494504	01-06-2017 0:00	31-05-2022 23:59	55.58
SNRC 32G14	2494505	01-06-2017 0:00	31-05-2022 23:59	55.58
SNRC 32G14	2494506	01-06-2017 0:00	31-05-2022 23:59	55.58
SNRC 32G14	2494507	01-06-2017 0:00	31-05-2022 23:59	55.58

SNRC 32G14	2494508	01-06-2017 0:00	31-05-2022 23:59	55.58
SNRC 32G14	2494509	01-06-2017 0:00	31-05-2022 23:59	55.58
SNRC 32G14	2494521	01-06-2017 0:00	31-05-2022 23:59	55.58
SNRC 32G14	2494522	01-06-2017 0:00	31-05-2022 23:59	55.58
SNRC 32G14	2494523	01-06-2017 0:00	31-05-2022 23:59	55.58
SNRC 32G14	2494524	01-06-2017 0:00	31-05-2022 23:59	55.58
SNRC 32G14	2494525	01-06-2017 0:00	31-05-2022 23:59	55.58
SNRC 32G14	2494526	01-06-2017 0:00	31-05-2022 23:59	55.58
SNRC 32G14	2494527	01-06-2017 0:00	31-05-2022 23:59	55.58
SNRC 32G14	2494528	01-06-2017 0:00	31-05-2022 23:59	55.58
SNRC 32G15	2494529	01-06-2017 0:00	31-05-2022 23:59	55.59
SNRC 32G14	2494536	01-06-2017 0:00	31-05-2022 23:59	55.59
SNRC 32G14	2494537	01-06-2017 0:00	31-05-2022 23:59	55.59
SNRC 32G14	2494538	01-06-2017 0:00	31-05-2022 23:59	55.59
SNRC 32G14	2494539	01-06-2017 0:00	31-05-2022 23:59	55.59
SNRC 32G14	2494545	01-06-2017 0:00	31-05-2022 23:59	55.57
SNRC 32G14	2494546	01-06-2017 0:00	31-05-2022 23:59	55.57
SNRC 32G14	2494547	01-06-2017 0:00	31-05-2022 23:59	55.57
SNRC 32G14	2494548	01-06-2017 0:00	31-05-2022 23:59	55.57
SNRC 32G14	2494557	01-06-2017 0:00	31-05-2022 23:59	55.56
SNRC 32G14	2494558	01-06-2017 0:00	31-05-2022 23:59	55.56
SNRC 32G14	2494559	01-06-2017 0:00	31-05-2022 23:59	55.56
SNRC 32G14	2494560	01-06-2017 0:00	31-05-2022 23:59	55.56
SNRC 32G14	2494561	01-06-2017 0:00	31-05-2022 23:59	55.55
SNRC 32G14	2494562	01-06-2017 0:00	31-05-2022 23:59	55.55
SNRC 32G14	2494563	01-06-2017 0:00	31-05-2022 23:59	55.55
SNRC 32G14	2494564	01-06-2017 0:00	31-05-2022 23:59	55.54

SNRC 32G14	2494565	01-06-2017 0:00	31-05-2022 23:59	55.54
SNRC 32G14	2494566	01-06-2017 0:00	31-05-2022 23:59	55.54
SNRC 32G15	2494567	01-06-2017 0:00	31-05-2022 23:59	55.58
SNRC 32G14	2508247	09-01-2018 0:00	08-01-2023 23:59	55.59
SNRC 32G14	2508248	09-01-2018 0:00	08-01-2023 23:59	55.57
SNRC 32G14	2508249	09-01-2018 0:00	08-01-2023 23:59	55.57
SNRC 32G14	2508250	09-01-2018 0:00	08-01-2023 23:59	55.57
SNRC 32G14	2508253	09-01-2018 0:00	08-01-2022 23:59	55.57
SNRC 32G14	2508254	09-01-2018 0:00	08-01-2023 23:59	55.57
SNRC 32G14	2508255	09-01-2018 0:00	08-01-2023 23:59	55.57
SNRC 32G14	2510249	23-01-2018 0:00	22-01-2023 23:59	55.6
SNRC 32G14	2510251	23-01-2018 0:00	22-01-2022 23:59	55.6

**SCHEDULE B**

**PERMITTED ENCUMBRANCES**

Nil.

**SCHEDULE C**  
**JOINT VENTURE AGREEMENT TERMS**

Upon the formation of the Joint Venture, the Optionee will have an initial participating interest of 80% and the Optionor will have an initial carried interest of 20%, and each of them will have initial, actual and deemed expenditures as follows:

- (a) Optionee: \$189,318 plus 80% of Expenditures incurred pursuant section 3.3(a) and (b) and section 3.5
- (b) Optionor: \$47,329 plus 20% of Expenditures incurred pursuant to section 3.3(a) and (b) and section 3.5

The Optionee will initially have a Participating Interest in the Joint Venture and the Optionor will initially have a Carried Interest in the Joint Venture until the earlier of: (x) exercise of the Additional Option; and (y) termination of the Additional Option. In the event the Additional Option is terminated for failing to satisfy the conditions thereof, the Optionor's interest in the Property will automatically change to a Participating Interest.

**1. Interests**

The Parties will bear their respective proportionate share of all costs in connection to the Property, including the administrative fee for the Operator (as defined herein) set out in section 5 (collectively, the "**Costs**"), and all liabilities arising under the Joint Venture and will own the Property in proportion to their respective interests as calculated from time to time in accordance with the formula below. The interests of the Parties will be subject to adjustment from time to time in accordance with sections 8 and 9.

Except as adjusted in accordance with sections 8 and 9, interests of each Party in the Joint Venture will be calculated as follows:

$$X = Y/Z$$

**Whereas:**

X = the participating interest of the Party in the Joint Venture

Y = total contributions of the Party to Costs

Z = total contributions of all Parties to the Costs

**2. Tenants in Common**

The Pluto Property will be held in the names of the Parties jointly as tenants in common, in proportion to their interests. Legal title to the Property will be transferred and held in the name of the Operator in trust for the benefit of the Joint Venture.

**3. Management of Pluto Property**

A management committee (the "**Management Committee**") will be created to supervise and coordinate the development of the Property and consider and approve Operations Plans and Operating Programs. For the purposes of this Schedule, "**Operations Plans**" means a five-year plan for operations, or such other period of time as the Management Committee may approve (feasibility and production stage) and "**Operating Programs**" means an annual plan and budget for operations (exploration stage).

#### 4. Management Committee

Each Party will have the right to appoint one representative to the Management Committee for each 20% interest in the Joint Venture held. Each Party may change its representatives and any alternate representatives at any time with written notice. There will be a Management Committee meeting at least once every quarter and, in any event, within 21 days of being requested in writing to do so by a representative of any Party. The Operator will cause notices of Management Committee meetings to be given to all representatives at least 14 days before the time appointed for the meeting, specifying the time and place of, and the agenda for, each meeting. A quorum for any Management Committee meeting will be present if one representative of each Party is present or participating by telephone. If a quorum is present at the meeting, the Management Committee will be competent to exercise all of the authorities, powers and discretions granted upon it. Except for certain express matters requiring unanimous approval, the Management Committee will decide every matter submitted to it by simple majority (including election of its chairman) with the representative or representatives of each Party being entitled to cast collectively that number of votes which is equal to its interest. In the event any matter submitted for approval at the Management Committee receives an equal number of vote(s) from the representatives of each Party, the Party acting as the Operator at that time shall be entitled to cast an additional, determinative vote.

#### 5. Operator Fees

The Operator will be entitled to include in Costs a charge for management supervision and corporate administration for which no direct charge is otherwise included in Costs equal to: (a) 5% of Costs for exploration work on any part of the Property from the Closing Date until the time when all material information is provided to applicable persons to prepare a Feasibility Study (as defined herein) in the agreed upon form (the "**Commencement of Feasibility**"); (b) 3% of Costs following the Commencement of Feasibility through feasibility, mine construction and production and during the period that operations are suspended during a mine maintenance plan; and (c) 5% during the period that a mine closure plan is effective.

#### 6. Duties of Operator

The Operator will be required to ensure that all operations are conducted in accordance with the terms and conditions of Operating Programs and Operations Plans approved by the Management Committee. The Operator will appoint a project manager to conduct the day-to-day management and supervision of operations (the "**Project Manager**"). The Project Manager will be authorized to do, under the direction of the Operator, all things necessary or advisable to carry out any Operations Plans and Operating Programs approved by and other directions of the Management Committee. The duties and obligations of the Operator include:

- (a) preparing and submitting for the approval of the Management Committee an Operating Program for each operating year as contemplated in section 7(a) (exploration stage); and
- (b) preparing and submitting Operations Plans for the approval of the Management Committee as contemplated in section 7(b) (feasibility and production stage).

#### 7. Operating Programs

Upon the Closing Date, the Operator will prepare and submit the first Operating Program for consideration by the Management Committee. Following the first operating year, the Operator will submit an Operating Program to the Management Committee for each succeeding operating year no later than 60 days prior to commencement of each succeeding operating year. The term of an Operating Program will not exceed one year unless the Management Committee otherwise approves by majority decision. Every Operating Program will contain a description in reasonable detail of the proposed operations for the period covered and estimates of all Costs to be incurred. The Operator will be entitled to include in any Operating Program a Cost allowance of up to 15% for contingencies. All activities of the Joint Venture

will be conducted in accordance with an approved Operating Program. The Operator will invoice each Party for any Operating Program in which such Party has elected or is required to participate for its proportionate share of Costs or advances for Costs for such Operating Program. If any Party (the “**Defaulting Party**”) fails to pay on time any amount invoiced with respect to Costs for an Operating Program in which it has elected or is required to participate, then the Operator may by notice demand payment. If no payment is made within the period of fifteen (15) business days thereafter then the Operator will notify the Parties. Each Party not in default may elect, by notice to the other Parties within a further 30 day period, to advance the amount of the defaulted payment on behalf of the Defaulting Party, and

- (a) if the Operating Program is for operations during the period from the Closing Date to the date of a Production Notice (the “**Exploration Period**”) then the provisions of section 8 will apply; or
- (b) if the Operating Program is for operations after a Production Notice has been given then the provisions of section 9 will apply.

If no Party elects to advance the amount of the defaulted payment, then the Operating Program will be deemed to have been withdrawn. The Operator may then propose another Operating Program.

## **8. Exploration Programs and Default During Exploration Period**

For any Operating Program for operations during the Exploration Period that is approved by the Management Committee, each non-Operator will, within 30 days after such approval, give notice to the Operator as to whether it will participate in and contribute its proportionate share of the Costs on that Operating Program. The Operator, by its approval of an Operating Program, is deemed to have elected to participate in and contribute to such program. If a Party does not give notice within the relevant period after approval of an Operating Program, then it will be deemed to have elected not to contribute to that program. If a Party elects or is deemed to have elected not to contribute to an Operating Program, then the Operator will forthwith give notice thereof to any non-Operator other than the non-contributing Party. Each of the Operator and such non-Operator will be entitled to elect, within 30 days of the Operator’s notice, to increase its contributions by the amount of the shortfall, or if more than one so elects, then in accordance with its proportionate share. If Costs of the proposed Operating Program are not fully committed, then such program will be deemed to be withdrawn. The Operator may thereafter propose another Operating Program. If any Operating Program is suspended or terminated prematurely so that the Costs incurred under the Operating Program so suspended or terminated are less than 80 percent of the Costs originally proposed, then the Operator will forthwith notify the other Parties. Any Party which elected or was deemed to have elected not to contribute to that Operating Program will be entitled to contribute its proportionate share of the Costs incurred on that Operating Program by payment thereof to the Operator within 30 days after receipt of the notice. If a Party elects or is deemed to have elected not to contribute to the Costs of any Operating Program, then the Defaulting Party will have no further right to contribute to that Operating Program and its interest will be reduced in accordance with the formula below and the contributing Party’s interest will be increased from time to time in accordance with the formula below so that at all times during the Exploration Period the interest of each Party will be that percentage which is equivalent to its contributions to Costs expressed as a percentage of the contributions of all Parties to Costs and the contributing Party will be deemed to have advanced an amount equal to the amount contributed after the default.

In the circumstances set out in section 8, the interests of each Party in the Joint Venture will be adjusted as follows:

### **Interest of the Contributing Party**

$$W = \frac{X + Z}{X + Y + Z}$$

**Whereas:**



W = the participating interest of the contributing Party to the Joint Venture  
X = total contributions of the contributing Party to Costs before default  
Y = total contributions of the Defaulting Party to Costs before default  
Z = total contributions of the contributing Party to the Joint Venture after the default

### **Interest of the Defaulting Party**

$$W = \frac{Y}{X+Y+Z}$$

### **Whereas:**

W = the participating interest of the Defaulting Party to the Joint Venture

X, Y and Z have the meanings set out above

A Party whose interest has been reduced under this section will be entitled to receive details of and to contribute to future Operating Programs to the extent of its then interest but only if its interest is 10% or more.

## **9. Default During Production**

If there is a default by a Party in the payment of its proportionate share of Costs for an Operating Program for operations subsequent to a Production Notice and another Party has elected to advance the amount in default, then the Defaulting Party will have no further right to contribute to that Operating Program and each such electing Party may also elect by its notice to the Operator to advance the amount of the defaulted payment on behalf of the Defaulting Party and treat the amount advanced together with any accrued interest, as a demand loan bearing interest calculated monthly not in advance from the 30th day after the date of the advance at a rate equivalent to the prime rate for the month plus five percent per annum until paid. Failure to repay the loan forthwith upon demand by the Party that advanced the loaned amount will be a default under this section. Each Party grants to each other Party a lien upon its interest to secure any loan hereunder, including interest that has accrued thereon, legal fees and all other reasonable costs and expenses incurred in enforcing the lien. Upon failure by a Defaulting Party to repay a loan advanced, a Party that has demanded repayment may elect any of the following remedies:

- (a) to bring an action at law or in equity to enforce collection of the loan, with or without foreclosure of the lien;
- (b) upon 30 days' notice to the Defaulting Party, to take possession of the Defaulting Party's interest and treat the Defaulting Party as having withdrawn from the Joint Venture, whereupon the Defaulting Party will be deemed to have so withdrawn and to have concurrently surrendered its interest to the seizing Party, and the Defaulting Party will cease to be a Party and to have any further right or interest; or
- (c) upon 30 days' notice to the Defaulting Party, to take possession of the Defaulting Party's interest and then sell that interest, either in whole or in part or in separate parcels at public auction or by private tender (the other Parties, but not the Defaulting Party, being entitled to bid) at a time and on whatever terms the other Parties arrange, having first given notice to the Defaulting Party of the time and place of the sale, and the proceeds of the sale will be applied by the realizing Party in payment of the amount due under its loan to the Defaulting Party, including the interest which has accrued thereon, legal fees, the reasonable costs of the sale and all other reasonable costs and expenses incurred in connection with the sale, with the balance remaining, if any, paid to the Defaulting Party.

## **10. Liability of the Operator**

Each Party will indemnify and save the Operator harmless from and against any loss, liability, claim, demand, damage and expense in connection with loss of life, personal injury or damage to property arising out of any acts or omissions of the Operator or its officers, employees or agents, contractors, licensees and invitees, except the Operator will not be indemnified nor held harmless by the other Parties for its gross negligence or willful misconduct. The obligation of each of the other Parties to indemnify and save the Operator harmless will be in proportion to its interest as at the date that the loss of life, personal injury or damage to property occurred.

## 11. Inspections and Reporting

Those persons who have been authorized by a Party, by prior notice to the Operator, will, at that Party's sole risk and expense and at reasonable intervals and times, have access to such portions of the Pluto Property (for greater certainty, including such technical records and other factual engineering data and information relating to the Pluto Property in the possession of the Operator) as the Party may have authorized. The Operator will furnish each Party with quarterly progress reports on operations and with a final report on conclusion of each Operating Program. Each quarterly report will be supported with such technical and other data, information and reports as are appropriate to reflect the operations for the period. Each quarterly and final report will include a presentation comparing Costs incurred to those planned according to the approved Operating Program. The final report will show all the operations conducted or performed during the operating year and any revenues and Costs experienced, and will be accompanied by the Operator's discussion and analysis of the results of operations and the financial condition of the Joint Venture.

## 12. Feasibility Study and Production Notice

The Management Committee may, at any time during the Exploration Period, approve an Operating Program that contemplates that a feasibility study be prepared (the "**Feasibility Study**"). The Feasibility Study will include an initial Operations Plan for the proposed mine (the "**Mine**"). Forthwith upon its completion, the Operator will submit the Feasibility Study to the Management Committee for its approval. The Operator will call a Management Committee meeting to consider the Feasibility Study for a date no sooner than 60 days after the Feasibility Study was delivered to the Management Committee representatives or such earlier date as all such representatives agree. The Management Committee will consider each Feasibility Study submitted to it and may approve the Feasibility Study. Forthwith after such approval, the Operator will give notice (the "**production recommendation**") to each of the Parties setting forth the Management's Committee's recommendation, together with a copy of the final Feasibility Study so approved. Each Party will, within 120 days after receipt of the production recommendation, give notice to the other Parties as to whether it elects to contribute its proportionate share of the Costs to develop a Mine in accordance with the approved Feasibility Study. If a Party does not give notice within such period it will be deemed to have elected not to contribute. If any Party elects or is deemed to have elected not to contribute to Costs, then the other Parties may elect, by notice to the Operator within 30 days after the earlier of the electing Party's notice and the expiry of the 120 day notice period, to increase their contributions to the relevant Costs by the amount that the non-contributing Party has declined to contribute or, if more than one so elects, then in proportion to their respective interests. Immediately thereafter, the Operator will give notice to the Parties indicating either that Costs:

- (a) are fully committed, in which case the notice (the "**Production Notice**") will state that the Parties have agreed to establish and bring a Mine into production in conformity with the Feasibility Study approved by the Management Committee; or
- (b) are not fully committed, in which case the notice will state that the production recommendation is thereby withdrawn.

If elections are made so that Costs to develop a Mine in accordance with the approved Feasibility Study are fully committed, then notwithstanding any modifications of the Feasibility Study thereafter the interest of the non-contributing Party will be decreased and the interest of each Party contributing in excess of its proportionate share of such Costs will be increased so that at all times after a Production Notice the

interest of each Party will be that percentage which is equivalent to its contributions to Costs expressed as a percentage of the contributions of all Parties to Costs. A Party that elected or was deemed to have elected not to contribute forfeits the right to contribute to all subsequent Costs and the right to participate in any further Operating Program.

### **13. Operation Plans**

The Operations Plan contained in the approved Feasibility Study will constitute the first approved Operations Plan for the Mine. From time to time as circumstances dictate, the Operator will submit a new Operations Plan for consideration by the Management Committee to replace the Operations Plan then in effect. The term of an Operations Plan will not exceed five years unless unanimously approved by the Management Committee.

### **14. Royalty**

If a party has its interest reduced to 10% percent or less, it will be deemed to have surrendered, assigned and conveyed its interest to the other party, if more than one, then in proportion to their respective interests. Upon any assignment and conveyance of such interest, the party whose interest is deemed to have been surrendered, assigned and conveyed (the “**royalty holder**”) will cease to be a party and will cease to have any further right or interest under this Agreement and, except as to any payment of royalty to which the royalty holder may be entitled under this section, all obligations or liabilities of the other parties to the royalty holder terminate. The royalty holder, in consideration of the surrender, assignment and conveyance of its interest, will be entitled to receive by way of royalty 1.0% of the Net Smelter Returns from the Project, as and when produced. Each party will severally calculate and cause to be paid to the royalty holder 1.0% of the Net Smelter Returns derived from its proportionate share of minerals produced from the Project.

### **15. Right of First Refusal**

None of the Parties will pledge, grant security over, sell, assign, or in any other manner dispose of or attempt to dispose of all, or any portion, of its interest (in each case, a “**Transfer**”) except as provided in this section. A Party is prohibited from disposing of any of its interest or any of its rights except if such disposition:

- (a) includes its entire interest together with its entire interest in this Agreement; and
- (b) occurs when such Party is not in default of any of its covenants and agreements herein contained (which for greater certainty means a Party in default of its obligations hereunder is not permitted to Transfer under any circumstances).

Upon a Party or a third party acquiring the disposing Party's interest, the Party or the third Party will be deemed to have contributed the Costs contributed to the date of the acquisition by the disposing Party. Unless the prior written approval of the Party other than the disposing Party has been given to the sale or other disposition to an affiliate of the disposing Party (which approval will not be unreasonably withheld), the disposing Party remains liable for its obligations hereunder notwithstanding such disposition.