

PURCHASE OPTION AGREEMENT FERDINAND

This Option Agreement is dated the 25th day of July, 2022

BETWEEN:

EEE Exploration Corp.
1910-1030 West Georgia Street
Vancouver BC V6E 2Y3

(herein the “**Optionee**”)

AND

Gravel Ridge Resources Ltd.,
Redacted

(“**Gravel Ridge**”)

AND

1544230 Ontario Inc.
Redacted

(“**1544230**”)

(herein 1544230 and Gravel Ridge, the “**Optionors**”)

WHEREAS the Optionors are the recorded and beneficial holder of two (2) unpatented mining claims which are filed with the Ministry of Northern Development, Mines, Natural Resources and Forestry (the “MNDM”); situated in within Province of Ontario, and more particularly described in Schedule “A” attached hereto and forming a part of this Purchase Option Agreement (the “**Agreement**”);

AND WHEREAS the Optionors have agreed to grant an option to the Optionee to acquire a one hundred percent (100%) undivided interest in the unpatented mining claims associated with the Property (the “**Option**”), subject to the Production Royalty (as defined herein) and upon the terms and conditions set forth herein.

NOW THEREFORE THIS AGREEMENT WITNESSETH that, in consideration of the mutual covenants expressed herein, the payment and expenditure of funds set forth herein, the parties hereto agree as follows:

1. **Interpretation**

(a) **Definitions.** The following terms, wherever used in this Agreement, shall have the meanings set forth below:

(i) **“Applicable Laws”** means:

- A. any domestic or foreign statute, law (including common and civil law), code, ordinance, rule, regulation, restriction or by-law (zoning or otherwise);
- B. any judgement, order, writ, injunction, decision, ruling, decree or award; and
- C. to the extent they have the force of law, policies, guidelines, notices and protocols;

of any Governmental Authority, binding on or affecting the person referred to in the context in which the term is used or binding on or affecting the property of that person;

(ii) **“Effective Date”** means the date first written above;

(iii) **“Environmental Standards”** means all Applicable Laws of whatever Governmental Authority, as they may apply to and affect environmental and pollution control standards in effect;

(iv) **“Governmental Authority”** means any domestic or foreign government, whether federal, provincial, state, territorial, local, regional, municipal, or other political jurisdiction, and any agency, authority, instrumentality, court, tribunal, board, commission, bureau, arbitrator, arbitration tribunal or other tribunal, or any quasi-governmental entity, insofar as it exercises a legislative, judicial, regulatory, administrative, expropriation or taxing power or function of government;

(v) **“Minerals”** shall mean the end products recovered, produced or derived from operating the Property as a mine;

(vi) **“Mining Act”** means the Province of Ontario Mining Act, together with any amendments thereto and all the regulations promulgated thereunder;

(vii) **“Mining Operations”** means every kind of work done on or in respect of the Property or any product derived from the Property while the Option is in effect by or under the direction of the Optionee including, without limiting the generality of the foregoing, the work of assessment, geophysical, geochemical and geological surveys, studies and mapping, investigating, drilling, designing, examining, equipping, improving, surveying, shaft-sinking, raising, cross-cutting, searching for, drifting, trucking, sampling, working and procuring

minerals, ores and metals, surveying and bringing any mining claims to lease or patent, and all other work usually considered to be prospecting, exploration, development and mining work; in paying wages and salaries of workers engaged in the work and in supplying food, lodging, transportation and other reasonable needs of the workers; in paying assessments or premiums for workers' compensation insurance, contributions for unemployment insurance or other pay allowances or benefits customarily paid in the district to those workers; in paying rentals, licence renewal fees, taxes and other governmental charges required to keep the Property in good standing; in purchasing or renting plant, buildings, machinery, tools, appliances, equipment or supplies and in installing, erecting, detaching and removing them; mining, milling, concentrating, rehabilitation, reclamation, and environmental protections and in the management of any work which may be done on the Property or in any other respect necessary for the due carrying out of the prospecting, exploration and development work;

- (viii) “**Mining Rights**” includes mineral rights and the right to conduct Mining Operations on the Property and further includes the meanings and rights attributed to Mining Rights under the Mining Act;
 - (ix) “**Net Smelter Returns**” has the meaning given to such term in Schedule “B”;
 - (x) “**Property**” means all of the unpatented mining claims or other mineral tenure as more particularly described in Schedule “A” including all Mining Rights thereunder;
 - (xi) “**Production Royalty**” has the meaning given to such term in Schedule “B”; and
 - (xii) “**Transaction**” means the transactions contemplated by this Agreement, collectively.
- (b) **Headings.** The headings of this Agreement and the schedules are solely for convenience of reference and do not affect the interpretation of it or define, limit or construe the contents of any provision of this Agreement.
- (c) **Number and gender.** Words importing the singular number shall include the plural and vice versa, words importing the neuter gender shall include the masculine and feminine genders, and words importing persons shall include firms and corporations and vice versa.
- (d) **Governing law.** This Agreement and the rights and obligations and relations of the parties shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein (but without giving effect to any conflict of law rules). The parties agree that the courts of Ontario shall have jurisdiction over any action or other legal proceedings based on any provisions of this Agreement. Each party attorns to the jurisdiction of the courts of the Province of Ontario.

- (e) **Currency.** All references to currency in this Agreement are references to Canadian currency.
- (f) **Further Assurances.** Each party hereto agrees from time to time, subsequent to the date hereof, to execute and deliver or cause to be executed and delivered to the others of them such instruments or further assurances as may, in the reasonable opinion of either of them, be necessary or desirable to give effect to the provisions of this Agreement or as may be reasonably required for registering or recording changes in ownership interests in the Property.
- (g) **Schedules.** The following are schedules attached and incorporated in this Agreement by reference and are deemed to be a part hereof:

Schedule “A” – Property

Schedule “B” – Net Smelter Returns

- (h) **References.** Unless otherwise stated, a reference to a numbered or lettered paragraph refers to the paragraph bearing that number or letter in this Agreement. A reference to this Agreement or in this Agreement means this Agreement including the schedules, together with any amendments.

2. **Optionor’s Representations and Warranties.** The Optionors hereby represent and warrant, on a joint and several basis, to the Optionee on the date hereof that:

- (a) the Optionors are the beneficial and registered or recorded owners of a one hundred percent (100%) interest in the Property;
- (b) the Property is in good standing, free and clear of all encumbrances;
- (c) the Property has been duly and validly located and recorded pursuant to the Applicable Laws of the Province of Ontario constituting valid and subsisting Mining Rights and that the Property is in good standing with respect to property or mineral tax requirements;
- (d) the Optionors have the full and undisputed right to deal with the Property as provided for in this Agreement;
- (e) the Property is not subject to any pending or threatened claims by any third party or any Governmental Authority;
- (f) the claims comprising the Property are accurately described in Schedule “A”;
- (g) no person has any right, agreement, option, understanding, commitment or privilege capable of becoming an agreement to acquire or purchase the Property or any interest in or portion thereof and the Optionors have the exclusive right to receive 100% of the proceeds from the sale of Minerals removed from the Property, and no person is entitled to any royalty or other payment in the nature of rent or royalty on Minerals

removed from the Property or is entitled to take Minerals from the Property in kind, other than mineral taxes payable to a Governmental Authority pursuant to Applicable Laws;

- (g) during the period that the Optionors have been the owners of the claims comprising the Property, and to the best of the Optionors' knowledge at all other times, the Property has been operated substantially in accordance with all Applicable Laws and Environmental Standards and there are no environmental conditions existing in the Property to which any material remedial action is required or any material liability has or may be imposed under applicable Environmental Standards;
 - (h) there has been no known spill, discharge, deposit, leak, emission or other release of any contaminant, pollutant, dangerous or toxic substance, or hazardous waste on, into, under or affecting the Property by the Optionors and to the Optionors' knowledge no such contaminant, pollutant, dangerous or toxic substance, or hazardous waste is stored in any type of container on, in or under the Property;
 - (i) the Optionors have not received from any Governmental Authority any notice of or communication relating to any actual or alleged claims relating to a violation of Environmental Standards, and there are no outstanding work orders or actions required to be taken relating to environmental matters respecting the Property or any operations carried out on the Property; and
 - (j) to the best of the Optionors' knowledge, no reclamation, rehabilitation, restoration or abandonment obligations exist with respect to the Property.
3. ***Additional Optionor's Representations and Warranties.*** Each of the Optionors hereby represents and warrants, on a several but not joint basis, to the Optionee on the date hereof that:
- (a) if the Optionor is a corporation, the Optionor is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation;
 - (b) the Optionor has all necessary power and authority to carry out the Transaction in accordance with the terms of this Agreement;
 - (c) all necessary action has been taken by the Optionor or on its part to authorize its execution and delivery of this Agreement and any agreements and instruments required by this Agreement to be delivered by it and the performance of its obligations hereunder and thereunder;
 - (d) there is no requirement for the Optionor to make any filing with or give any notice to any Governmental Authority or to obtain any permit or approval, as a condition to the lawful completion of the Transaction, except for such filings or notices that have been made or will be made in due course by the Optionor;

- (e) the execution, delivery and performance by the Optionor of this Agreement and the completion of the Transaction will not (whether after the passage of time or notice or both) result in:
 - (i) the breach or violation of any of the provisions of, or constitute a default under, or conflict with or cause the acceleration of any of its obligations, under:
 - A. any contract to which it is a party or by which any of its undertakings, property or assets is bound or affected;
 - B. if the Optionor is a corporation, any provision of its constituting documents or resolutions of its board of directors (or any committee thereof) or shareholders;
 - C. any judgement, decree, order or award of any Governmental Authority having jurisdiction over the Optionor;
 - D. any approval issued to, held by or for the benefit of, the Optionor; or
 - E. any Applicable Laws;
 - (ii) the creation or imposition of any encumbrance over the Property; or
 - (iii) the requirement for any approval from any person; and
- (f) this Agreement has been duly executed and delivered by the Optionor and constitutes the legal, valid and binding obligations of the Optionor, enforceable against the Optionor in accordance with its terms.

4. *Grant of Option to Earn Interest*

- (a) The Optionors hereby grant to the Optionee the sole, exclusive, irrevocable and immediate right to acquire a one hundred percent (100%) interest in the Property from the Optionors (subject to the Production Royalty) by making the payments and expenditures described herein and by complying with the other terms and conditions of this Agreement.
- (b) Upon the full amount of the cash payments and expenditures set forth in Section 5 having been paid and issued to the Optionors or expended, as applicable, the Optionors shall deliver to the Optionee a signed transfer in proper registerable form (“**Transfer**”) conveying all of the Optionors’ right, title and interest in the Property (other than the Production Royalty) to the Optionee. The Transfer shall be prepared by and at the expense of the Optionee.
- (c) Upon execution of this Agreement, the Optionee may register this Agreement or notice of this Agreement against title to the Property.

5. **Exercise of Option.** In order to maintain the Option in good standing, the Optionee must, upon completion of normal and reasonable due diligence (and approval of any stock exchange on which any of the securities of the Optionee are listed, and any securities commission having jurisdiction over the Optionee, as applicable, such approvals hereinafter referred to as “**Regulatory Approval**”):
- (a) **Cash Payments:** make four (4) cash payments to Gravel Ridge and 1544230 totalling \$ 50,200.00 in accordance with the following schedule:
 - (i) \$ 5,200.00 cash payment on the Effective Date (the “**Initial Payment**”);
 - (ii) an additional \$10,000.00 cash payment on the 1st anniversary of the **Effective Date**;
 - (iii) an additional \$15,000.00 on the 2nd anniversary of the **Effective Date**;
 - (iv) an additional \$20,000.00 on the 3rd anniversary of the **Effective Date**; and
 - (b) **Work Commitment:** spend a minimum of \$30,000.00 on ground exploration activities (which may include, without limitation, sampling and prospecting) in relation to the Property on or before the 1st anniversary of the Effective Date.

For greater certainty, if any of the cash payments as set out in this section 5 are not carried out on the dates as set out herein, including, without limitation, the payment of the Initial Payment to Gravel Ridge (for its subsequent delivery to the 1544230) on the Effective Date, the Optionors will have the right to terminate the Agreement.

Each cash payment under this Section 4 shall, unless otherwise instructed by the Optionors in writing, be distributed among the Optionors as follows: 50% as to Gravel Ridge, and 50% as to 1544230.

6. **Notice of Regulatory Approval.** Upon the Optionee receiving Regulatory Approval of the terms of this Agreement, the Optionee shall forthwith provide written notice thereof to the Optionors.
7. **Registration of Transfer.** Upon the full amount of the cash payments and expenditures set forth in section 5 having been paid and issued to the Optionors or expended, as applicable, the Optionee shall be entitled, without further notice, to register the Transfer, vesting one hundred percent (100%) interest in the Property to the Optionee.
8. **Termination of Option.** Except for the Initial Payment, the Optionee does not, and will not at any time hereafter, have any obligation to incur any additional cash payments or expenditures pursuant to section 5 or to exercise the Option and nothing in this Agreement shall be construed as creating any such obligation. The Optionors will retain all cash payments that have been made to it under section 5, the Option and this Agreement will terminate and the Optionee will not retain interest in the Property if the Optionee has not complied with its obligations under this Agreement.

9. **Acceleration.** The Optionee at its sole discretion may make any of the payments and expenditures described in section 5 on dates that are earlier in time from the dates specified in section 5.
10. **Working Rights.** During the currency of the Option, the Optionee shall have the sole and exclusive right to enter on and conduct the Mining Operations on the Property as the Optionee in its sole discretion may decide. The Optionee shall have quiet and exclusive possession of the Property from the date of this Agreement and thereafter while the Option remains in good standing, with full power and authority to the Optionee, its servants, agents, workers or contractors, to carry on Mining Operations in searching for Minerals in such manner as the Optionee in its discretion may determine, including the right to erect, bring and install on the Property all buildings, plant, machinery, equipment, tools, appliances or supplies as the Optionee shall deem necessary and proper and the right to remove therefrom reasonable quantities of rocks, ores and Minerals and to transport them for the purposes of sampling, metallurgical testing and assaying. All Mining Operations conducted by the Optionee shall be in accordance with good exploration, development and mining practice, and in compliance with all Applicable Laws, including without limitation, the Mining Act, and health safety standards. The Optionee shall maintain adequate insurance coverage in respect of the Property at all times.
11. **Indemnity.** The Optionee shall indemnify and save the Optionors harmless from and against all losses, liabilities, claims, demands, damages, expenses, suits, injury or death in any way referable to Mining Operations conducted on the Property or any other actions of the Optionee made in connection with this Agreement, provided that, the Optionors shall not be indemnified for any loss, liability, claim, demand, damage, expense, injury or death resulting from the negligence or willful misconduct of the Optionors or their respective employees, agents or contractors.
12. **Covenants of the Optionee.**

During the term of this Agreement the Optionee shall:

- (a) comply with all Applicable Laws with respect to its Mining Operations hereunder, including discharging the duty to consult with or provide notice to all applicable Aboriginal communities;
- (b) comply with the provisions of the Mining Act, including without limitation, any duty or requirement to consult with or provide notice to Aboriginal communities as set out in the Mining Act, particularly during the early exploration stage of the mining process and the requirements to submit to the MNDM an exploration plan and obtain from the MNDM an exploration permit prior to carrying out certain early exploration activities in respect of the Property;
- (c) keep a detailed record of any and all efforts taken by the Optionee to notify and/or consult with Aboriginal communities, and to provide such records to the MNDM upon request;
- (d) conduct all Mining Operations in accordance with Environmental Standards;

- (e) conduct all Mining Operations and supervise the operation of all contractors and or sub-contractors in, on and under the Property in a careful manner and in accordance with good mining practice and in compliance with all Applicable Laws and, without limiting the generality of the foregoing, the Optionee shall on the completion of its work or at the end of the term of this Agreement leave the Property in a safe condition with any and all openings safeguarded in accordance with the provisions of all Applicable Laws;
- (f) subject to the other provisions of this Agreement, the Optionee shall have complete discretion and control with respect to all Mining Operations carried out on the Property provided, however, that all Mining Operations on the Property shall be conducted in a manner which will cause the least damage and defacement practicable under the circumstances. All access roads shall be set out in consultation with the Optionors and both parties will make their best efforts to co-operate so as to enable the Optionee to conduct its operations in a reasonable manner while minimizing the damage and interference to the Property and to any timber resources thereon. Upon completion of its work or at the end of the term of this Agreement the Optionee shall restore and remediate the Property in accordance with good mining practices so as to minimize permanent damage or interference with the Property;
- (g) pay or cause to be paid all workmen's wages and for all materials, supplies and services delivered to or performed on or in respect of the Property, so as to avoid any woodsman, builders, or construction liens from arising;
- (h) pay all timber dues or other assessments or charges which may be levied or imposed under any Applicable Laws arising, as a consequence of the harvesting of any timber resources from the Property by or on behalf of the Optionee;
- (i) maintain the Property in good standing by doing all assessment work, recording all exploration and development work done on the Property in accordance with the requirements of the Mining Act, paying all exploration licenses fees and by doing all other acts and things that may be necessary in that regard until the termination or expiration of the Agreement or the abandonment of rights and options granted hereunder;
- (j) abide by all directions of the relevant Minister or any other Governmental Authority having jurisdiction over its operations hereunder; and
- (k) maintain adequate liability and other insurance and if requested by Optionors, to provide evidence of same.

13. ***Net Smelter Returns.***

- (a) ***Production Royalty.*** Upon the exercise of the Option, the Optionee will grant to the Optionors, and the Optionors will retain, the Production Royalty, which grant shall be on the terms in Schedule B.

- (b) **Royalty Repurchase.** The Optionee or its assigns shall have the right at any time to purchase from Optionors **zero point five percent (0.5%)** of the Production Royalty by way of a one-time payment to the Optionors of the sum of **\$500,000.00** in Canadian funds. Upon such purchase and payment being made, the Production Royalty shall thereafter be calculated as being reduced to one point zero percent (**1.0%**) of Optionor's Net Smelter Returns.
14. **Abandonment.** Subject to section 15, the Optionee may at any time, prior to exercise of the Option, abandon any one or more of the claims which comprise the Property, and such claims shall upon notice to the Optionors be deemed to be thereafter excluded from the Property. After the Option is exercised and the Property is transferred into the name of the Optionee, the Optionee shall, subject to section 15, have the unfettered right at any time to surrender all or any of the mineral claims comprising the Property (the "**Surrendered Property**") by delivering a notice in writing of its intention to do so to the Optionors at least forty-five (45) days prior to the proposed surrender, such notice to list the proposed Surrendered Property.
15. **Property in Good Standing.** If the Optionee wishes to abandon any one or more of the claims which comprise the Property in accordance with section 14, the Optionee shall have performed sufficient assessment work on such claims, recorded all exploration and development work done on such claims in accordance with the requirements of the Mining Act, paid all necessary fees and done all other acts and things necessary to maintain such claims in good standing for a period of at least one (1) year after the date of abandonment.
16. **Assignment.** While this Agreement remains in effect either party may sell, assign, or otherwise transfer all or part of its rights and obligations under this Agreement and the Property including any interest in the Property ("**Assignment**") to a purchaser, assignee or transferee ("**Assignee**") that is not a party to this Agreement, provided that such Assignee shall enter into an Agreement with the other parties to this Agreement concurrent with such Assignment containing:
- (a) a covenant of such Assignee to be bound by this Agreement to the same extent as if this Agreement had been originally executed by the assigning party and the Assignee as joint and several obligors making joint and several covenants;
- (b) a provision subjecting any further Assignment to the restrictions contained in this section 16;
- and the assigning party shall thereupon be relieved from all obligations in respect of such part of its assigned interest which thereafter accrue under this Agreement.
17. **Buildings and Equipment:** In the event that the Optionee abandons the working right and Option granted to it herein, all buildings, plant, equipment, machinery, tools, appliances and supplies which the Optionee may have brought onto the Property, either before or during the period of the working right and Option, may be removed by the Optionee at any time not later than nine (9) months after the abandonment of the working right and Option. Any buildings, plant, equipment, machinery, tools, appliances and supplies left on the Property during the nine (9) month period shall be at the Optionee's sole risk and, if not removed after the nine

18. **Information.** If the Optionee abandons the Option, the Optionee shall, on request, provide to the Optionors with a copy of all non-interpreted reports, maps, plans, drill logs and surveys of all work pertaining to the Property provided that the Optionee does not warrant the accuracy of such reports, maps, plans, drill logs and surveys and shall not be liable for any inaccuracies contained in them. The Optionee agrees that the Optionors may disclose the details of this Agreement to their respective advisors and to governmental, regulatory or Aboriginal communities.

Gravel Ridge: Redacted

and for clarity, shall not issue any press release that refers to this Agreement or the subject matter of this Agreement, or the Optionors in general, without prior written approval of the Optionors. The Optionors will take all reasonable efforts to send comments that it may have regarding any press release received from the Optionee to the Optionee by email within forty eight (48) hours of receipt of such press release. Notwithstanding the foregoing, the Optionee shall at all times be entitled to make any press releases that, on the advice of Optionee's legal counsel, the Optionee is required to make in compliance with Applicable Laws.

Optionee: EEE Exploration Corp.
Attention: CEO
1910-1030 West Georgia Street
Vancouver BC V6E 2Y3

Optionors:

Gravel Ridge Resources Ltd.
Attention: Mike Frymire
Redacted

e-mail : [Redacted](#)

1544230 Ontario Inc.
Attention: Perry English
Redacted

e-mail : [Redacted](#)

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

21. ***Further Assurances and Covenants.*** Each party shall execute such deeds, documents and give such other further assurances as are necessary or appropriate in connection with the performance of its obligations under this Agreement and to facilitate the acquisition of any and all necessary regulatory approvals.
22. ***Time of the Essence.*** Time shall be the essence in the performance of this Agreement.
23. ***Benefit of Successors.*** This Agreement shall enure to the benefit of and be binding on the parties and their respective heirs, executors, administrators, successors and assigns.

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

Optionee:

EEE Exploration Corp.
1910-1030 West Georgia Street
Vancouver BC V6E 2Y3

“Chris Cooper”

Signature
Chris Cooper

Print Name of Authorized Signatory

Optionor:

Gravel Ridge Resources Ltd.
Redacted

“Michael Frymire”

Signature
Michael Frymire

Print Name of Authorized Signatory

Optionor:

1544230 Ontario Inc.
Redacted

“Perry English”

Signature
Perry English

Print Name of Authorized Signatory

SCHEDULE “A”

Property

Claim#	Type	Status	Issue Date	Anniversary Date	Due Date	Owner Client#	Area /# of Cells
732099	Claim	Active	2022-06-14	2024-06-14	2024-06-14	(10002746) Gravel Ridge Resources Ltd.	15
732105	Claim	Active	2022-06-14	2024-06-14	2024-06-14	(10002746) Gravel Ridge Resources Ltd.	10

SCHEDULE “B”

NET SMELTER RETURNS:

1. Upon commencing production of any Minerals from the Property, the Optionee will pay the Optionors a royalty on production (the “**Production Royalty**”) equal to **1.5%** of Net Smelter Returns as defined below. “Net Smelter Returns” (“NSR”) shall mean all proceeds, received or deemed received from any mint, smelter, refinery, reduction works or other purchaser from the sale of ores, metals, concentrates or other mineral products produced or deemed to be produced from the Property after deducting from such proceeds to the extent that they are actually incurred and were not deducted by the purchaser in computing payment: sampling and assaying; treatment, smelting and refining charges; penalties; costs of transportation of ores, metals, concentrates or other mineral products from the Property to any mint, smelter refinery, reduction works or other purchaser; insurance on such ores, metals, concentrates or other mineral products.
2. The amount of NSR shall be calculated as follows:
 - (a) For gold produced from the Property, the NSR shall be calculated by determining, without duplication, the number of ounces of fine gold delivered to or to the order of the Optionee, purchased by, or out turned to the Optionee pool account or accounts by, any mint or refinery and the number of ounces of gold otherwise sold to any purchase during any calendar quarter and multiplying such number of ounces by the average of the daily London Bullion Brokers PM Gold Fixing during such quarter, less the deductions specified in paragraph 1, as applicable.
 - (b) For silver produced from the Property the NSR shall be calculated by determining, without duplication, the number of ounces of silver delivered to or to the order of the Optionee, purchased by, or out turned to the Optionee pool account or accounts by, any mint or refinery and the number of ounces of silver otherwise sold to any purchaser during any calendar quarter and multiplying such number of ounces by the average of the daily Handy & Harmon Noon Silver Quotation during such quarter, less the deductions specified in paragraph 1, as applicable.
 - (c) For minerals other than gold and silver produced from the Property the NSR shall be calculated based on the amounts actually received during any calendar quarter from the sale of ores, metals, concentrates or other mineral products, less the deductions specified in paragraph 1, as applicable.
 - (d) The amount of the NSR calculated in respect of any calendar quarter shall be paid by the Optionee to the Optionors within thirty (30) days of the end of the quarter. Payments shall be made in Canadian dollars and amounts calculated in U.S. dollars shall be converted into Canadian dollars at the Bank of Canada exchange rate prevailing on the last business day of the calendar quarter in respect of which the NSR are payable. Payments of NSR shall be accompanied by detailed calculations and supporting documentation showing the amounts payable.

- (e) For the purposes of subparagraph (a) and (b) above, the average price of gold or silver for any calendar quarter shall be determined by dividing the sum of all daily prices posted during the quarter that the prices were posted. The posted price shall be obtained from The Wall Street Journal, Reuters, E & MJ or another reliable source.
3. Payments of NSR for a calendar year shall be subject to adjustment within three (3) months after the end of the calendar year based on an audit. The year end calculation of NSR shall be audited by a national firm of chartered accountants designated by the Optionee or its assignee(s) (which may be the auditor of the Optionee or its assignee(s)); and
- (a) copies of the audited reports shall be delivered to the Optionee or its assignee(s) and the Optionors by the chartered accounting firm; and
 - (b) either party shall have three (3) months after receipt of any audited report to object thereto in writing to the other party, and failing such objection, such report shall be deemed correct; and
 - (c) in the event of a re-audit, all costs relating to such re-audit shall be paid by the Optionee or its assignee(s) unless the Optionors required the re-audit and the original audit is found to be accurate within 5%, in which case such costs shall be paid by the Optionors.
4. Payments of NSR shall, unless otherwise instructed in writing by the Optionors, be distributed among the Optionors as follows: 50% as to Gravel Ridge, and 50% as to 1544230.