

## OPTION AGREEMENT

**October 25<sup>th</sup> 2016**

**Rain City Resources Inc. ("Purchaser")**

**#200 551 Howe Street Vancouver BC V6C 2C2.**

**and**

Rich River Exploration Ltd. and Craig A. Lynes of  
PO Box 131  
Grindrod, BC  
V0E 1Y0

("The Vendor")

**Re: Option Agreement - "Northern Champion Project"**

This letter is further to our earlier discussions and will outline the terms of our proposed agreement (the "Agreement") with respect to the Northern Champion Project described in Schedule "A".

### **Representations:**

We the Vendors, represent as follows:

1. The Vendors are the beneficial and legal owners of an undivided 100% interest in the Northern Champion Project, hereafter referred to as the "Property", located near Champion Creek about 10 Km west south-west of Tulameen BC, and as more particularly described in Schedule "A" to this letter agreement.
2. We are a company duly incorporated, organized and validly subsisting under the laws of British Columbia and have all the necessary corporate power and capacity to enter into this letter agreement with respect to the Property and to comply with the terms thereof.

Based on the above, we are prepared to enter into this letter agreement respecting the Property.

### **Grant of Option and Consideration**

1. Upon the execution of and pursuant to this letter agreement, this will grant the right to earn an undivided 100% interest in the Property, subject only to a 3 % NSR on all base, rare earth elements, precious metals and gems. To earn this interest the purchaser agrees to pay a total of \$130,000 and issue a total of 700,000 shares in the capital of; Rain City Resources Inc. and complete \$650,000.00 worth of exploration work.

The purchaser will pay the share consideration as follows:

- a) 100,000 shares to be issued upon Listing;
- b) a further 100,000 shares on or before the first anniversary of listing; and,
- c) a further 100,000 shares on or before the second anniversary of listing; and,
- d) a further 200,000 shares on or before the third anniversary of listing; and,
- e) a further 200,000 shares on or before the fourth anniversary of listing;

All share issuances made according to the above are to be issued to Rich River Exploration Ltd.

The purchaser will pay the cash and work consideration to Rich River as follows:

- a) \$5,000.00 upon execution of this agreement; and \$75,000.00 worth of work in first year.
- b) a further \$5,000.00 upon listing
- c) a further \$10,000 on or before the first anniversary of listing; \$75,000.00 work
- d) a further \$20,000 on or before the second anniversary of listing; \$100,000 work
- e) a further \$40,000 on or before the third anniversary of listing; \$200,000 work
- f) a further \$50,000 on or before the fourth anniversary of listing; \$200,000 work

All cash and shares paid according to the above are to be paid to Rich River Exploration Ltd.

2. The letter agreement will confer an option only. Once Rain City Resources Inc. has fulfilled all of the requirements in the above paragraphs, then it shall be deemed to have earned an 100% undivided interest in the Property, subject only to a 3% NSR on all base, rare earth elements, precious metals and gems.

### **Net Smelter Royalty**

1. A Net Smelter Royalty (“NSR”) of 3% is payable to the Vendor on all base, rare earth elements, precious metals and gems.
2. The first 1% is purchasable by Rain City Resources Inc. for \$750,000  
The purchase of the second 2% NSR is purchasable for an additional \$1,000,000

### **Operator**

Rain City Resources Inc. or its designate shall be the Operator of the Property during the term of the Option. Rich River Exploration Ltd. will be the primary contractor when possible.

### **Assessment Work**

In order to keep the claims current, Rain City Resources Inc., the purchaser shall pay or cause to be paid any rates, taxes, duties, royalties, assessments or fees levied with respect to the Property or the Vendor's operations thereon, and shall apply and pay for assessment credits for the mineral claims comprising the Property for all work and expenditures conducted on all or any part of the Property.

### **Underlying Interests**

The Vendor warrant that no undisclosed underlying royalty interest or such other undisclosed obligation exists on the Property.

### **Area of Interest**

If, after the effective date of this Agreement, any of the parties to this Agreement stakes or acquires, directly or indirectly, an interest or right in a mineral claim located within three kilometres of the boundaries of the Property as it was constituted at the effective date of this Agreement, that interest or right shall be deemed to form part of the Property and shall be subject to this Agreement.

### **Access to Information**

Throughout the term of the Option, Rain City Resources Inc. shall supply the Vendor with a yearly report detailing all works carried out on the Property. In addition, Rain City Resources Inc. shall supply the Vendors with copies of any geological or geophysical reports prepared in respect of the Property within two weeks of receiving same.

## **Termination**

The purchaser may terminate its interest in this letter agreement by filing notice thereof by letter to the Vendor at the above addresses. If the purchaser has not earned its full interest in the Property by the date of such termination, then it shall forthwith transfer the property to the Vendor. The Property shall have sufficient assessment credits recorded against it at the date of such termination to keep it in good standing for a minimum of one year from the date of termination.

## **Transfer of Property**

Once the purchaser has paid all of the cash and issued all the shares and completed all of the work contemplated in the previous section entitled Grant of Option and Consideration then the Vendor shall forthwith transfer a 100% interest to the purchaser and at that time the purchaser will vest a 100% beneficial interest in the Property. The NSR will be in effect and remain attached to this property.

## **Abandonment of Claims**

The purchaser may abandon any portion of the Property by transferring same to the Vendors, upon two weeks' notice. Any claims so abandoned shall be in good standing for at least one year from the date title is transferred to the Vendor.

## **General**

1. This agreement shall supersede and replace any other agreement or arrangement, whether oral or written, hereunto before existing between the parties in respect of the subject matter of this agreement.
2. This agreement shall enure to the benefit of and be binding upon the parties and their respective successors and assigns. During the course of the Option, this letter agreement shall be assignable by Rain City Resources Inc. or its assigns.
3. This agreement shall be governed by and construed in accordance with the laws of British Columbia Canada.
4. Time shall be of the essence of this agreement.
5. If required under policy, this agreement shall be subject to the approval of the Exchange. Both the Vendors and Rain City Resources Inc. agree to file documents in a timely manner and to take such steps as are necessary so as to expedite approval by the Exchange.

OPTION AGREEMENT

Rain City Resources Inc. ("Purchaser")

#200 551 Howe Street Vancouver BC V6C 2C2.

and

Rich River Exploration Ltd.  
PO Box 131  
Grindrod, BC  
V0E 1Y0

Craig A Lynes

("the Vendor")

ACCEPTED AND AGREED this 25<sup>th</sup> day of October, 2016

Rain City Resources Inc.

\_\_\_\_\_

Per: \_\_\_\_\_  
Authorized Signatory

**Rich River Exploration Ltd**

Per: \_\_\_\_\_  
Authorized signatory

\_\_\_\_\_  
CRAIG A. LYNES

## SCHEDULE "A"

THIS IS SCHEDULE "A" to the Agreement made as of the 25<sup>th</sup> day of October 2016

### THE NORTHERN CHAMPION PROPERTY

**LOCATION: Champion Creek - Tulameen – Princeton Area, British Columbia**

#### MTO Located Mineral Cells

<u>Title Number</u>	<u>Claim Name</u>	<u>Owner</u>		<u>Title Type</u>	<u>Title Sub Type</u>	<u>Map Number</u>	<u>Good To Date</u>	<u>Status</u>	<u>Area (ha)</u>
<a href="#">1038840</a>	OLIVINE	<a href="#">116233</a>	100%	Mineral	Claim	<a href="#">092H</a>	2025/JUL/01	GOOD	83.91
<a href="#">1047445</a>	NORTH OLIVINE	<a href="#">116233</a>	100%	Mineral	Claim	<a href="#">092H</a>	2025/JUL/01	GOOD	20.97
<a href="#">1047446</a>	THE CHAMP	<a href="#">116233</a>	100%	Mineral	Claim	<a href="#">092H</a>	2025/JUL/01	GOOD	41.96
<a href="#">1047447</a>	OLIVINE GREEN	<a href="#">116233</a>	100%	Mineral	Claim	<a href="#">092H</a>	2025/JUL/01	GOOD	41.96
<a href="#">1047448</a>	NORTHERN CHAMPION	<a href="#">116233</a>	100%	Mineral	Claim	<a href="#">092H</a>	2025/JUL/01	GOOD	461.43
<a href="#">1050832</a>	OLIVINE II	<a href="#">116233</a>	100%	Mineral	Claim	<a href="#">092H</a>	2019/MAR/17	GOOD	41.96
<a href="#">1050833</a>	GREEN OLIVE	<a href="#">116233</a>	100%	Mineral	Claim	<a href="#">092H</a>	2019/MAR/17	GOOD	20.98
<a href="#">1051401</a>	OLIVINE GREEN III	<a href="#">116233</a>	100%	Mineral	Claim	<a href="#">092H</a>	2019/APR/14	GOOD	20.98

## SCHEDULE "B"

THIS IS SCHEDULE "B" to the Agreement made as of the 25<sup>th</sup>, October 2016

### NSR -- NET SMELTER RETURNS ROYALTY

1. For the purposes of this Agreement the following words and phrases shall have the following meanings, namely:

(a) "Commencement of Commercial Production" means:

(i) if a mill is located on the Property, the last day of a period of 40 consecutive days in which, for not less than 30 days, the mill processed ore from the Property at 60% of its rated concentrating capacity; or

(ii) if a mill is not located on the Property, the last day of a period of 30 consecutive days during which ore has been shipped from the Property on a reasonably regular basis for the purpose of earning revenues, but any period of time during which ore or concentrate is shipped from the Property for testing purposes, or during which milling operations are undertaken as initial tune-up, shall not be taken into account in determining the date of Commencement of Commercial Production;

(b) "Net Smelter Returns" shall mean the gross proceeds received by the Purchaser in any year from the sale of Product from the mining operation on the Property, less successively:

(i) the cost of transportation of such Product to a smelter or other place of treatment, and

(ii) smelter and treatment charges;

(c) "Ore" shall mean any material containing a mineral or minerals of commercial economic value mined from the Property; and

(d) "Product" shall mean Ore mined from the Property and any concentrates or other materials or products derived therefrom, but if any such Ore, concentrates or other materials or products are further treated as part of the mining operation in respect of the Property, such Ore, concentrates or other materials or products shall not be considered to be "Product" until after they have been so treated.

3. For the purposes of calculating the amount of Royalty payable to the Vendors hereunder, if, after the Commencement of Commercial Production, the Purchaser sells any Product to one of its subsidiaries or affiliates, and if the sale price of such Product is not negotiated on an arm's-length basis, the Purchaser shall for the purposes of calculating Net Smelter Returns only and notwithstanding the actual amount of such sale price, add to the proceeds from the sale of such Product an amount which would be sufficient to make such sale price represent a reasonable net sale price for such Product as if negotiated at arm's length and after taking into

account all pertinent circumstances including, without limitation, then current market conditions relating to Ore, concentrates or products similar to such Product.

3a. The Purchaser shall by notice inform the Vendors of the quantum of such reasonable net sale price and, if the Vendors do not object thereto, within 60 days after receipt of such notice, said quantum shall be final and binding for the purposes of this Agreement.

4. The Purchaser may remove reasonable quantities of Ore and rock from the Property for the purpose of bulk sampling and of testing, and there shall be no Royalty payable to the Vendors with respect thereto unless revenues are derived therefrom.

5. The Purchaser shall have the right to commingle with ores from the Property, ore produced from other properties, provided that prior to such commingling, the Purchaser shall adopt and employ reasonable practices and procedures for weighing, determination of moisture content, sampling and assaying, as well as utilize reasonable accurate recovery factors in order to determine the amounts of products derived from, or attributable to Ore mined and produced from the Property. The Purchaser shall maintain accurate records of the results of such sampling, weighing and analysis as pertaining to ore mined and produced from the Property.

6. Instalments of the Royalty payable shall be paid by the Purchaser to the Vendors immediately upon the receipt by the Purchaser of the payment from the smelter, refinery or other place of treatment of the proceeds of sale of the minerals, ore, concentrates or other product from the Property.

7. Within 120 days after the end of each fiscal year, commencing with the year in which Commencement of Commercial Production occurs, the accounts of the Purchaser relating to operations on the Property and the statement of operations, which shall include the statement of calculation of Royalty for the year last completed, shall be audited by the auditors of the Purchaser at its expense. The Vendors shall have 45 days after receipt of such statements to question the accuracy thereof in writing and, failing such objection, the statements shall be deemed to be correct and unimpeachable thereafter.

9. If such audited financial statements disclose any underpayment of Royalty by the Purchaser during the year, the amount thereof shall be paid to the Vendors forthwith after determination thereof.

10. The Purchaser agrees to maintain for each mining operation on the Property, up- to-date and complete records relating to the production and sale of minerals, ore, bullion and other product from the Property, including accounts, records, statements and returns relating to treatment and smelting arrangements of such product, and the Vendors or their agents shall have the right at all reasonable times, including for a period of 12 months following the expiration or termination of this Agreement, to inspect such records, statements and returns and make copies thereof at its own expense for the purpose of verifying the amount of Royalty payments to be made by the Purchaser to the Vendor pursuant hereto. The Vendors shall have the right to have such accounts audited by independent auditors at its own expense once each fiscal year



