

## MINING OPTION AGREEMENT

This mining option agreement (the “**Agreement**”) is dated as of November 16, 2018 (“**Effective Date**”).

### BETWEEN:

**0890763 B.C. LTD.**  
Suite 2200 - 885 West Georgia Street  
Vancouver, BC V6C 3E8

(the “**Optionor**”)

### AND:

**MICHELIN MINING CORP.**  
c/o Pacific Opportunity Capital  
Suite 410-325 Howe Street  
Vancouver, BC V6C 1Z7

(the “**Optionee**”)

### RECITALS:

- A. the Optionor is the recorded and beneficial owner of those certain mining claims covering 4,157 hectares in the Whitehorse Mining District in the Yukon Territory, Canada that are known as the Rude Creek Gold Property, as more particularly described in Schedule A attached hereto (the “**Property**”); and
- B. the Optionor has agreed to grant an option to the Optionee to acquire an undivided 70% interest in the Property, subject to the NSR (as defined herein) and upon the terms and conditions set forth herein.

**THEREFORE**, in consideration of the mutual covenants and the payment of funds set forth herein, the parties agree as follows:

#### 1. **Interpretation.**

- (a) **Definitions.** In this Agreement the following terms have the meanings set forth below:
  - (i) “**Area of Interest**” has the meaning set out in §16;
  - (ii) “**Business Day**” means a day on which banks are open for business in Vancouver, British Columbia;
  - (iii) “**Common Share Reorganization**” has the meaning set out in §6;

- (iv) **“Encumbrances”** means security interests, liens, royalties, charges, mortgages, pledges, encumbrances, adverse claims or challenges of any nature or kind whatsoever, whether written or oral, or direct or indirect;
- (v) **“Environmental Standards”** means all laws, orders, rules and regulations of whatever authority, as they may apply to and affect environmental and pollution control standards in effect, whether federal, provincial or territorial, or municipal;
- (vi) **“Exchange”** shall mean any of the Toronto Stock Exchange, the TSX Venture Exchange, and the Canadian Securities Exchange;
- (vii) **“Expenditures”** means all costs, expenses and charges, direct or indirect, of or incidental to the Mining Operations on the Property under this Agreement, which costs, expenses and charges shall be determined in accordance with Canadian generally accepted accounting principles;
- (viii) **“Force Majeure”** means, with respect to a party, any event or circumstance, regardless of whether it was foreseeable, that was not caused by the party and that prevents the party from complying with any of its obligations under this agreement (other than an obligation to pay money), except that a Force Majeure Event will not include: a strike or other labor unrest that affects only one party; an increase in prices; or a change in law;
- (ix) **“Going Public Transaction”** means (i) a listing of the common share capital of the Optionee on the Exchange; (ii) the acquisition of the Optionee by an existing company listed on the Exchange, such that the resulting effect is that holders of the common share capital of the Optionee receive shares in the capital of the resulting public company; (iii) the assignment or transfer of the rights granted under this Agreement by the Optionee to an existing company listed on the Exchange; or (iv) any other type of transaction whatsoever which results in the current holders of the common share capital of the Optionee receive shares of a company listed on the Exchange in exchange for their existing shares of the Optionee, or which results in the rights granted under this Agreement being held by a company listed on the Exchange;
- (x) **“Government or Regulatory Authority”** means any federal, provincial, regional, municipal or other government, governmental department, regulatory authority, commission, board, bureau, agency or instrumentality having lawful authority to regulate or administer or govern an business or property or affairs of any person, and for the purposes of this Agreement also includes any corporation or other entity owned or controlled by any of the foregoing and any stock exchange on which shares of a party are listed for trading;
- (xi) **“Joint Venture Agreement”** means that joint venture agreement to be entered into between the Optionor and the Optionee following exercise of the Option as contemplated by §8 hereof;

- (xii) **“Minerals”** means the end products recovered, produced or derived from the Property;
- (xiii) **“Mining Act”** means the *Quartz Mining Act, SY 2003, c.14*, together with any amendments thereto and all the regulations promulgated thereunder;
- (xiv) **“Mining Claims”** means the mining claims comprising the Property;
- (xv) **“Mining Operations”** means every kind of work done on or in respect of the Property or any product derived from the Property 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, license 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;
- (xvi) **“Mining Rights”** includes mineral rights and the right to conduct Mining Operations on the Property;
- (xvii) **“NSR”** means that net smelter royalty defined in Schedule B attached hereto;
- (xviii) **“Option”** has the meaning set out in §4;
- (xix) **“Option Date”** means the date that is 60 days from the Effective Date;
- (xx) **“Option Exercise”** means the deemed exercise of the Option in accordance with §4;
- (xxi) **“Option Period”** means the period commencing on the Option Date and ending on the fourth anniversary of the Option Date or such later date as the parties may agree in writing, unless terminated earlier by the exercise of the Option by the Optionee or as otherwise provided in this Agreement;

- (xxii) **“Payment Shares”** means the common shares of the Optionee, as the Optionee is constituted as of the Effective Date, to be issued to the Optionor pursuant to this Agreement;
- (xxiii) **“Permitted Encumbrances”** means
- A. easements, rights of way, servitudes or other similar rights in land including, without limiting the generality of the foregoing, rights of way and servitudes for railways, sewers, drains, gas and oil pipelines, gas and water mains, electrical light, power, telephone, telegraph or cable television conduits, poles, wires and cables;
  - B. the right reserved to or vested in any government or other public authority by the terms of any or by any statutory provision, to terminate, revoke or forfeit any of the lease or mining claims or to require annual or other periodic payments as a condition of the continuance thereof;
  - C. rights reserved to or vested in any municipality or governmental, statutory or public authority to control or regulate in any manner, and all applicable laws, rules and orders of any governmental authority; and
  - D. the reservations, limitations, provisos and conditions in any original grants from the Crown or interests therein and statutory exceptions to title;
- (xxiv) **“Property”** means those 204 mining claims covering 4,157 hectares in the Whitehorse Mining District in the Yukon Territory, Canada, that are known as the Rude Creek Gold Property, as more particularly described in Schedule A attached hereto, including all Mining Rights thereunder; and
- (xxv) **“Work Program”** means, a program of Mining Operations in respect of the Property, consistent with the Optionee’s Expenditure obligations for the period covered by the proposed program and reasonably acceptable to both parties, contained in a written document setting out in reasonable detail:
- A. an outline of the Mining Operations proposed to be undertaken and conducted on the Property, specifically stating the period of time during which the Mining Operations contemplated by the proposed program is to be done and performed;
  - B. the estimated Expenditures to be incurred in carrying out the Mining Operations including a proposed budget providing for estimated monthly cash requirements in advance and giving reasonable details; and
  - C. the identity and credentials of the person or persons undertaking the Mining Operations so proposed if not the Optionor.

- (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) **Governing Law.** The laws of the Province of British Columbia and the federal laws of Canada applicable therein govern this Agreement and the rights and obligations and relations of the parties to it. The parties agree that the courts of British Columbia 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 British Columbia.
  - (d) **Currency.** All references to currency in this Agreement are references to Canadian currency.
  - (e) **Further Assurances.** Each party agrees from time to time, subsequent to the date hereof, to execute and deliver or cause to be executed and delivered such instruments or further assurances as may, in the reasonable opinion of either party, 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.
  - (f) **Schedules.** The following are schedules attached to and form part of this Agreement:  
    - Schedule A – Rude Creek Gold Property Claims and Claim Map
    - Schedule B – Net Smelter Royalty
2. **Optionor's Representations and Warranties.** The Optionor hereby represents and warrants to the Optionee as of the Effective Date and as of the Option Date:
- (a) The Optionor is a company incorporated and in good standing under the laws of British Columbia;
  - (b) The Optionor has full power and authority to carry on its business and to grant the Option enter into this Agreement and any agreement or instrument referred to or contemplated by this Agreement;
  - (c) The Optionor will not breach any other agreement or commitment by entering into and performing the Optionor's obligations under this Agreement;
  - (d) The Optionor is the recorded and beneficial owner of a 100% interest in and to the Property, free and clear of all Encumbrances except for Permitted Encumbrances (other than the Royal Claims 1-12, which are at present recorded in the names of Shawn Ryan as to 70% and Wildwood Exploration Inc. as to 30%, and the transfer of which to the Optionor is to be completed before the Option Date);
  - (e) The Optionor has provided all consideration required to acquire the ownership of the Royal Claims 1-12, and to the Optionor's knowledge and belief, there is no reason to

expect that the Royal Claims 1-12 will not be transferred and recorded in the Optionor's name by the Option Date or soon thereafter;

- (f) No person, firm or corporation has any proprietary or possessory interest in the Property other than the Optionor and the Optionee, and no person, firm or corporation is entitled to any royalty or other payment in the nature of rent or royalty on any minerals, ores, metals or concentrates or any other such products removed from the Property other than the government of the Yukon pursuant to statute;
  - (g) The Optionor has not received any notice of, or is aware of, any non-compliance with any Environmental Standards applicable to the Property, nor any actions, suits, or proceedings pending or threatened against or adversely affecting, or which could adversely affect, the property or the ownership thereof;
  - (h) The Property is properly and accurately described in Schedule A hereto and is in good standing under the laws of the jurisdiction in which the Property is located, and no taxes, surcharges, levies, or other government fees or charges are due or payable with respect to the Property as of the Option Date; and
  - (i) The Optionor has obtained all corporate authorizations for the execution of this Agreement and for the performance of this Agreement by it, and this Agreement has been duly executed and delivered by the Optionor as a legal and binding agreement, enforceable against the Optionor.
3. ***Optionee's Representations and Warranties.*** The Optionee hereby represents and warrants to the Optionor as of the Effective Date and as of the Option Date:
- (a) The Optionee is a company incorporated and in good standing under the laws of British Columbia;
  - (b) The Optionee has full power and authority to carry on its business and enter into this Agreement and any agreement or instrument referred to or contemplated by this Agreement;
  - (c) The Optionee will not breach any other agreement or commitment by entering into and performing the Optionee's obligations under this Agreement;
  - (d) The Optionee has obtained all corporate authorizations for the execution of this Agreement and for the performance of this Agreement by it, and this Agreement has been duly executed and delivered by the Optionee as a legal and binding agreement, enforceable against the Optionee.
4. ***The Option.*** The Optionor hereby grants to the Optionee the sole, exclusive option to acquire an undivided 70% interest in the Property (the "**Option**") for total consideration comprised of (a)

cash payments of \$2,510,001, (b) issuance of 3,950,000 Payment Shares and (c) funding of aggregate Expenditures of \$4,120,000. The Option is exercisable as follows:

- (a) On the Effective Date, the Optionee paying to the Optionor \$1.00;
- (b) On or before the Option Date, the Optionee paying to the Optionor \$120,000 as a non-refundable deposit (to be held in trust) to be applied to contracts to be entered into for the performance of Mining Operations by the Optionee during the first year of the Option;
- (c) On or before the first anniversary of the Option Date:
  - (i) Completing a Going Public Transaction,
  - (ii) Making a payment of \$200,000 to the Optionor,
  - (iii) Issuing 200,000 Payment Shares to the Optionor, or as directed by the Optionor, and
  - (iv) Funding Expenditures on the Property of at least \$120,000 (inclusive of the funds paid under §3(b));
- (d) On or before the second anniversary of the Option Date:
  - (i) Making an additional payment of \$300,000 to the Optionor,
  - (ii) Issuing a further 500,000 Payment Shares to the Optionor, or as directed by the Optionor, and
  - (iii) Funding additional Expenditures on the Property of at least \$500,000;
- (e) On or before the third anniversary of the Option Date:
  - (i) Making an additional payment of \$500,000 to the Optionor,
  - (ii) Issuing a further 750,000 Payment Shares to the Optionor, or as directed by the Optionor, and
  - (iii) Funding additional Expenditures on the Property of at least \$1,000,000; and
- (f) On or before the fourth anniversary of the Option Date,
  - (i) Making an additional payment of \$1,500,000 to the Optionor,
  - (ii) Issuing a further 2,500,000 Payment Shares to the Optionor, or as directed by the Optionor, and
  - (iii) Funding additional Expenditures on the Property of \$2,500,000,

following which the Optionee will be deemed to have exercised the Option (“**Option Exercise**”) and will be entitled to an undivided 70% right, title and interest in and to the Property, subject to the rights of the Optionor to receive the NSR.

5. **Expenditures Cumulative.** The Optionor acknowledges and agrees that the Expenditures required to be incurred within the periods referred to in §4 are cumulative, aggregate amounts and that, accordingly, all Expenditures incurred in a particular period, including any excess in the amount of Expenditures required to be incurred to maintain the Option during the period, will be carried over and included in the aggregate amount of Expenditures for the subsequent period. In the event the Optionee fails to incur the required Expenditures within a particular period, they will be entitled to pay the amount of the shortfall in cash to the Optionor to maintain the Option in good standing.

6. **Adjustment of Payment Shares.** The number of Payment Shares to be issued to the Optionor shall be subject to adjustment if the Optionee, at any time prior to any date on which it issues Payment Shares pursuant to §4:

- (a) issues common shares or securities exchangeable for or convertible into common shares to all or substantially all of the holders of its common shares by way of stock dividend or other distribution;
- (b) subdivides or changes its outstanding common shares into a greater number of common shares; or
- (c) consolidate, reduce or combine its outstanding common shares into a lesser number of common shares,

(a “**Common Share Reorganization**”) in which case, the number of Payment Shares issuable on or after the effective date or record date of the Common Share Reorganization shall be adjusted by multiplying the number of Payment Shares previously issuable by a fraction, the numerator of which shall be the number of common shares outstanding on such effective date or record date before giving effect to such Common Share Reorganization and the denominator of which is the number of common shares outstanding as of the effective date or record date after giving effect to such Common Share Reorganization (including, in the case where securities exchangeable for or convertible into common shares are distributed, the number of common shares that would have been outstanding had such securities been exchanged for or converted into common shares on such record date or effective date).

7. **Operator and Work Programs**

- (a) The Optionor shall act as the Operator during the term of the Option. The Operator shall carry out Work Programs on the Property in consultation with the Optionee.
- (b) By January 31 of each year of the Option, or by the Option Date in the case of the first year of the Option Period, the Operator shall propose a Work Program for the year in



question in accordance with the Optionee's work obligations under §4 and based upon recommendations for the Property contained in a technical report.

- (c) The Optionee will have until the end of business on February 15 (or if February 15 is not a Business Day, until the close of business on the next Business Day following February 15, and in the case of the case first year of the Option Period, the Optionee will have until the end of business on January 31, 2019) to accept the Work Program ("**Acceptance Notice**"), or give notice to the Optionor that it does not accept the Work Program and requesting revisions ("**Non-Acceptance Notice**"). Any Non-Acceptance Notice will provide an explanation as to the requested revisions to the Work Program. If the Optionee does not accept the Work Program as originally proposed, the Operator shall provide to the Optionee for acceptance a revised Work Program reasonably incorporating the requested revisions in the Non-Acceptance Notice within 15 Business Days from the date of the Non-Acceptance Notice, which will represent the final Work Program for the year. An Acceptance Notice will not be unreasonably withheld.
- (d) Upon acceptance of the Work Program (either original or revised), the Optionee shall pay (or release from trust, not to be unreasonably withheld) the amount of Expenditures under the accepted Work Program to the Operator within 15 days.
- (e) In carrying out its duties, the Operator shall:
  - (i) comply with the provisions of all agreements or instruments of title under which the Mineral Claims are held;
  - (ii) pay all Expenditures properly incurred promptly as and when due;
  - (iii) keep the Mineral Claims free of all liens and encumbrances (other than those, if any, in effect on the Effective Date or the creation of which is permitted by this Agreement) arising out of the carrying out of Mining Operations on the Property and, in the event of any lien being filed as mentioned, proceed with diligence to contest or discharge it;
  - (iv) prosecute claims or, where a defence is available, defend litigation arising out of the carrying out of Mining Operations, provided that the Optionee may join in the prosecution or defence at its own expense to the extent that it does not interfere with the ability of the Operator to prosecute claims or defend litigation;
  - (v) perform assessment work or make payment in lieu thereof and pay the rentals, taxes, or other payments and do all other things necessary to maintain the Mineral Claims in good standing, including without limitation staking and re-staking mineral claims and applying for licenses, leases, grants, concessions, permits, patents, and other rights to and interests in the Mineral Claims;
  - (vi) maintain accounts in accordance with generally accepted accounting principles in the mining industry in Canada;

- (vii) perform its duties and obligations in a sound and workmanlike manner, in accordance with sound mining and engineering practices, and in compliance with all applicable federal, provincial, territorial, and municipal laws, by-laws, ordinances, rules and regulations, and this Agreement;
  - (viii) regulate access to the Property, subject only to the right of designates of the Optionee authorized in writing to have access to the Property at all reasonable times at their own risk and expense for the purpose of inspecting Mining Operations;
  - (ix) employ and engage employees, agents, and independent contractors that it considers necessary or advisable to carry out its duties and obligations and, in this connection, to delegate any of its powers and rights to perform its duties and obligations under this Agreement; however the Operator shall not enter into contractual relationships with a party to this Agreement or any of its associates or affiliates except on terms that are commercially competitive;
  - (x) permit the Optionee, at its own expense, to inspect, take abstracts from, or audit any or all of the records and accounts related to the Property and any Mining Operations done thereon during normal business hours;
  - (xi) obtain and maintain, or cause any contractor engaged under this Agreement to obtain and maintain, adequate insurance (as determined by the Operator in its sole discretion, acting reasonably) during any period in which Mining Operations are carried out under this Agreement;
  - (xii) arrange for and maintain workers' compensation or equivalent coverage for all eligible employees engaged by the Operator in accordance with local statutory requirements; and
  - (xiii) transact, undertake, and perform all transactions, contracts, employments, purchases, operations, negotiations with third parties, and any other matters undertaken on behalf of the parties in the Operator's name.
- (f) Within 60 days following the completion of any Work Program on the Property, the Optionor as the Operator shall deliver to the Optionee a statement showing in detail the Expenditures incurred during the Work Program and the aggregate Expenditures incurred to the end of the Work Program, and the Optionee will have 30 days from the time of receipt of the Expenditures statement to question the accuracy thereof in writing, failing which the Expenditures statement will be deemed to be correct and unimpeachable thereafter.
- (g) If a statement delivered pursuant to §7(f) is questioned by the Optionee:
- (i) the Optionee will have two months from the time of delivery of the statement to have the statement audited;

- (ii) the audited results will be final and determinative of the amount of Expenditures incurred for the audited period; provided that, if the audit discloses a deficiency in the amount of Expenditures required to be incurred to maintain the Option in good standing, the Optionee may pay to the Optionor the amount of the deficiency within 15 days following receipt of notice of the audited results, whereupon the amount will be deemed to have been Expenditures incurred during the audited period; and
- (iii) the costs of the audit will be borne by the Optionee if the Operator's statement was accurate within five percent and will be borne by the Operator if the statement was not accurate within five percent.
- (h) If the Optionor, acting as Operator, is successful in being granted funding under the Yukon Mineral Exploration Program ("YMEP") administered by the Energy, Mines and Resources division of the Government of the Yukon, then the YMEP funding granted will be owned by the Optionor and will not be owed to the Optionee.

#### 8. **Joint Venture Agreement**

- (a) Following the Option Exercise, the Optionee and Optionor will enter into a joint venture agreement (the "**Joint Venture Agreement**") on such terms as the parties, acting reasonably, shall negotiate, providing for the joint exploration and development of the Property. The Joint Venture Agreement will include, but not be limited to, the following provisions:
  - (i) the initial interests of the parties in the joint venture will be 70% Optionee and 30% Optionor;
  - (ii) the Optionor will be the initial operator of the joint venture;
  - (iii) the operations of the joint venture will be overseen by a management committee, with each party to have voting rights on the management committee equal to their interest in the joint venture;
  - (iv) the interests of the parties in the joint venture will be subject to dilution for non-contribution on a straight line basis, subject to any party's interest that falls below 10% reverting to a 5% net profits interest;
  - (v) parties will have 15 days following adoption of a Work Program to elect to participate therein and invoices rendered to participating parties in respect of any Work Program shall be payable within 30 days following adoption of a Work Program; and
  - (vi) each party will grant to the other a right of first refusal with respect to the sale of the party's interest in the joint venture.

9. **Transfer of Title.** Upon Option Exercise, the Optionor shall deliver to the Optionee a signed transfer in recordable form in compliance with the Mining Act (the “**Transfer**”) and the Optionee will be entitled to record the Transfer with the appropriate government offices to indicate the 70% interest held by the Optionee, subject to the NSR.
10. **Due Diligence Investigations.** From the Effective Date through the last calendar day before the Option Date (the “**Due Diligence Period**”), the Optionee may conduct due diligence investigations in respect of the Property. For purposes of such investigations, the Optionor shall give to the Optionee and its agents and representatives full access to the Property and all books, records, financial and operating data and other information concerning the Property as the Optionee and its agents and representatives may reasonably request. If, during the Due Diligence Period, the Optionee determines that it is not satisfied, in its sole discretion, with the results of its investigations, it may elect to terminate this Agreement on notice to the Optionor, and the parties will have no further obligations hereunder.
11. **Force Majeure.** In circumstances where the Optionee is prevented from carrying out any of the Expenditures contemplated in §4 prior to the dates set out therein as a result of Force Majeure, then the Optionee shall promptly give the Optionor notice of the commencement and termination of the Force Majeure and thereafter the dates for incurring Expenditures will be deemed to be extended by the period of time during which the Force Majeure remains in effect.
12. **Default and Termination of Option.**
- (a) The Optionee may terminate this Agreement at any time prior to the Option Exercise by giving 30 days’ prior notice of termination to the Optionor, and upon the effective date of termination as specified the termination notice, this Agreement will terminate and be of no further effect, except for any obligations of the Optionee incurred prior to the effective date of termination, with no right, interest or title in the Property having been earned by the Optionee.
  - (b) If the Optionor fails to have the Royal Claims 1-12 transferred to it and recorded in its name with the Yukon Mining Recorder by no later than March 31, 2019, the Optionee may terminate the Option by giving notice to the Optionor, and the Option and this Agreement will terminate as of the date of the notice without any period to cure the default, and the Optionor shall within five business days of the notice of termination repay to the Optionee the money paid under §4(b).
  - (c) If, at any time prior to the Option Exercise, either party is in default (“**Defaulting Party**”) in performing any material obligation under this Agreement or in breach of any material provision contained in this Agreement, then the party not in default may terminate this Agreement by giving notice of termination (“**Termination Notice**”) to the Defaulting Party but only if:
    - (i) it has given (by email and in writing delivered to specified address below) to the Defaulting Party notice of the particular failure, default, or breach on the part of the Optionee; and

- (ii) the Defaulting Party has not, within 30 calendar days following delivery (defined as three business days after the date the Termination Notice was sent by registered mail) of the notice of default, commenced to take reasonable steps to cure the default by the appropriate performance, which the Defaulting Party after due inquiry reasonably believes will cure the default. If the default relates to a payment of money, issuance of Payment Shares, or completion of a Going Public Transaction under §4, “commenced to take reasonable steps” means payment of the amounts or issuance of Payment Shares that are in default, or completion of a Going Public Transaction, within the 30 day period. If the default related to presentation of a Work Program by the Operator under §7(b), “commenced to take reasonable steps” means provision of a Work Program acceptable to the Optionee within the 30 day period.
  - (d) Notwithstanding any termination of this Agreement, the Optionee will remain liable for its obligations under §§14 and 20 hereof, and the Optionor will remain liable for its obligations under §14 hereof.
13. **Acceleration.** The Optionee at its sole discretion may make any of the payments or Payment Share issuances described in §4 on dates that are earlier in time from the dates specified in §4. Subject to acceptance of an appropriate Work Program, the Optionee may also incur the Expenditures on dates that are earlier in time from the dates specified in §4, in order to complete the Option Exercise prior to the expiry of the Option Period.
14. **Indemnity.**
- (a) Each Party shall indemnify and save harmless the other and their officers, directors, and shareholders, from and against any and all claims, losses, liabilities, damages, fees, fines, penalties, interests, deficiencies, costs and expenses, of any nature or kind whatsoever (“Losses”), arising by virtue or in respect of any breach of covenant contained herein or failure to comply with any provision herein, or any inaccuracy, misstatement, misrepresentation or omission made by the party in connection with any matter set out herein, and any and all actions, suits, proceedings, demands, claims, costs, legal and other expenses related or incidental thereto, except that no party is entitled to indemnification hereunder for Losses resulting from the gross negligence or willful misconduct of the party or anyone for whom the party is responsible in law.
  - (b) Notwithstanding any other provision of this Agreement and any termination of this Agreement, the indemnities provided herein will remain in force until all possible liabilities of the persons indemnified thereby are extinguished by the operation of law and will not be limited to or affected by any other indemnity obtained by any indemnified person from any other person.

15. ***Covenants of the Optionor.***

During the term of this Agreement, the Optionor shall:

- (a) use commercially reasonable efforts to obtain the transfer and recording of the Royal Claims 1-12 into its name, if not completed before the Option Date;
- (b) not do or permit or suffer to be done any act or thing which would or might in any way adversely affect the rights of the Optionee hereunder; and
- (c) not relinquish or abandon all or any part of its interest in the Mineral Claims other than in circumstances where it gives the Optionee the first right to acquire same.

16. ***Area of Interest.*** The area of common interest comprises that area which is included within five kilometres from the outermost boundary of the Claims that constitute the Property as of the Option Date ("**Area of Interest**"). Either the Optionee or the Optionor (the "**Acquiring Party**") may stake and record a claim within the Area of Interest. An Acquiring Party staking and recording a claim shall deliver notice to the other of them within 30 days of the recording stating the position of the claim, the reason for staking the claim and the costs of staking and recording the claim ("**Claim Notice**"). The party receiving a Claim Notice may add a claim to the Property by, within 31 days of receipt of the Claim Notice, delivering to the Acquiring Party its own notice electing to add the claim to the Property ("**Inclusion Notice**") and, if the Optionor is the Acquiring Party and the Optionee is the party giving the Inclusion Notice, the Optionee shall include with its Inclusion Notice a certified cheque for the Acquiring Party's costs of recording the claim ("**Staking Cheque**") as set out in the relevant Claim Notice. If a party fails to deliver an Inclusion Notice and, in the case of the Optionee, a Staking Cheque to the Acquiring Party within the 31 day period, the claim that was the subject of the Claim Notice will not form part of the Property and will not be subject to this Agreement. Each claim so staked and recorded within the Area of Interest will be independently subject to the right of the other party to add the claim to the Property, even though more than one claim may be staked and recorded within the Area of Interest at the same time. All recording costs paid or reimbursed by the Optionee for claims in the Area of Interest that are included in the Property will qualify as Expenditures. The outermost boundary of the Claims that constitute the Property and the Area of Interest will be adjusted to include any claims added as defined in this section.

17. ***NSR Royalty.***

- (a) If the Optionee completes the Option Exercise and begins commercial production on any part of the Property, the Optionee shall pay to the Optionor a royalty (the "**NSR**") calculated at 3% of the Net Smelter Returns as defined, calculated and set forth in Schedule B to this Agreement.
- (b) Commencing on the Option Exercise date or such other date as the Optionor and the Optionee may agree upon in writing and continuing until commercial production on the Property by the Optionee ceases, the Optionee shall pay to the Optionor the sum of \$10,000 per annum as advance royalties and the amounts payable by the Optionee to the

Optionor on account of the NSR will be reduced by the aggregate amount paid to the Optionor by the Optionee under this §17(b). The Optionee shall pay each annual advance royalty payment payable hereunder within six months of the Option Exercise date or anniversary of the Option Exercise date, as applicable.

18. **NSR Buy-Back.** The Optionee or its assigns shall have the right at any time to purchase from the Optionor 1% of the NSR by way of a one-time payment to the Optionor of \$2,000,000. Upon the payment of \$2,000,000 being made, the NSR payable thereafter will be reduced to 2% of the net smelter returns.
19. **Assignment.** The Optionee may assign all or part of its obligations under this Agreement to any third party (an “**Assignee**”) without consent of the Optionor (but upon notice) subject to the Assignee executing an acknowledgement to be bound by the terms hereof insofar as the Optionor’s rights hereunder are concerned, and provided that the Optionor shall continue to be entitled to receive the Payment Shares specified in §4, unless otherwise agreed by the Optionor.
20. **Buildings and Equipment.** In the event that this Agreement is terminated by either the Optionor or the Optionee, all buildings, plant, equipment, machinery, tools, appliances and supplies for which the Optionee has paid as Expenditures may be removed by the Optionee at any time not later than nine months after such termination. Any buildings, plant, equipment, machinery, tools, appliances or supplies left on the Property during the nine month period will be at the Optionee’s sole risk and, if not removed after the nine month period, will become the Property of the Optionor. During the Option Period, the Optionor shall not remove from the Property any buildings, plant, equipment, machinery, tools, appliances or supplies paid for by the Optionee as Expenditures.
21. **Confidentiality.** The parties to this Agreement shall keep confidential all books, records, files and other information supplied by any party to the other party or its employees, agents, or representatives in connection with this Agreement or in respect of the activities carried out on the Property by any party, or related to the sale of Minerals, or other products derived from any Property, including all analyses, reports, studies or other documents prepared by any party or its employees, agents or representatives, which contain information from, or otherwise reflects such books, records, files or other information. The parties shall use their reasonable efforts to ensure that their employees, agents, or representatives do not disclose, divulge, publish, transcribe, or transfer such information, in whole or in part, other than to an affiliate where such disclosure is for routine corporate purposes, and other than to its contractors, legal, accounting and other advisors, financiers, potential investors and potential transaction partners who require such information, without the prior written consent of the other party, which consent may not be arbitrarily or unreasonably withheld and which shall not apply to such information or any part thereof to the extent that:
  - (a) it is required to be publicly disclosed pursuant to applicable securities or corporate laws, in which event the party seeking to make such disclosure shall provide to the non-disclosing party, at least 24 hours prior to making such disclosure, a written copy of such proposed disclosure, unless mutually agreed otherwise, and shall include any comments the non-disclosing party may have, acting reasonably, on such proposed disclosure;

- (b) the disclosure is reasonably required to be made to a taxation authority in connection with the taxation affairs of the disclosing party; or
- (c) such information becomes generally disclosed to the public, other than as a consequence of a breach of this Agreement by one of the parties to this Agreement.

Notwithstanding any other provision hereof each party to this Agreement agrees to provide to the other party to this Agreement the text of any proposed news release or information update with respect to this Agreement or the Property at least 24 hours prior to release of such information to third parties. The party receiving such proposed news release or information update shall review and comment on the text thereof within 24 hours of receipt. The party proposing the new release or information update shall in good faith review the comments provided and shall take reasonable steps to modify the release or update according to the concerns raised.

22. **Notices.** All notices, consents, demands and requests (in this §22, "**Communications**") required or permitted under this Agreement must be in writing and delivered, faxed, emailed, or sent by courier or prepaid registered mail to the parties, at their following respective addresses and fax numbers:

**Optionee:** Michelin Mining Corp.  
 Attention: Chief Financial Officer  
 c/o Pacific Opportunity Capital  
 Suite 410-325 Howe Street  
 Vancouver, BC V6C 1Z7

Fax No: 1 (888) 889-4874  
 e-mail: [wwong@pacificopportunity.com](mailto:wwong@pacificopportunity.com)

**Optionor:** 0890763 B.C Ltd.  
 Attention: Jock Ross  
 Suite 2200 - 885 West Georgia Street  
 Vancouver, BC V6C 3E8

Fax No: 604 654 1476  
 e-mail: [jock.ross@raymondjames.ca](mailto:jock.ross@raymondjames.ca)

and if any Communication is sent by courier or prepaid registered mail, it shall, be conclusively deemed to have been received on the third business day following the mailing of it and, if delivered, faxed or emailed, it will be 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 Communication will not be received by the addressee by no later than the third business day following the mailing of it, then the Communication must be sent by an alternative means of delivery in order that the payment or communication may be received



expeditiously by the addressee. Either party may from time to time change its address by notice to the other in accordance with this §22.

23. ***Time of the Essence.*** Time is of the essence of this Agreement.
24. ***Option Only.*** This Agreement is an option only and except if specifically provided otherwise, no provision hereof will be construed as obligating the Optionee to do any acts or make any payments hereunder, and no acts or payments that are made hereunder will be construed as obligating the Optionee to do any further acts or make any further payments.
25. ***Counterparts.*** This Agreement may be executed in counterparts (by original or electronic signature), each of which when so executed will be deemed an original and all counterparts together will constitute one and the same instrument.

*[Signature page follows]*

**The parties, intending to be contractually bound, have entered into this agreement as of the Effective Date.**

**MICHELIN MINING CORP.**

**0890763 B.C. LTD.**

*/s/ Winnie Wong*

*/s/Bart Jaworski*

\_\_\_\_\_  
Authorized signatory

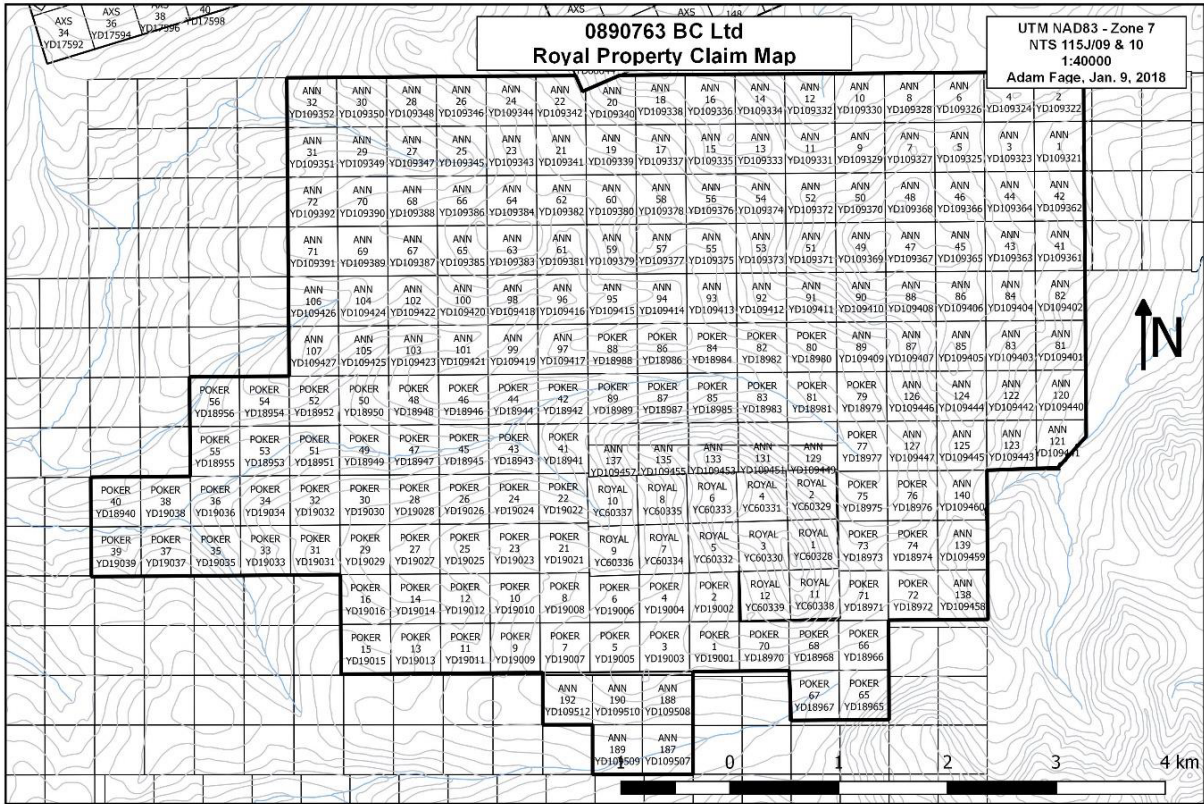
\_\_\_\_\_  
Authorized signatory

## SCHEDULE A

## Rude Creek Gold Property

Claim Name and Number	Grant Number	Grouping Number	Owner	Expiration date
Royal 1-12	YC60328-39	HW07561	Shawn Ryan - 70%, Wildwood Exploration Inc. - 30% - transfer to 0890763 BC Ltd. to be done before Option Date	2035-04-19
ANN 1-32	YD109321-52	HW07561	0890763 BC Ltd.	2033-11-21
ANN 41-72	YD109361-92	HW07561	0890763 BC Ltd.	2033-11-21
ANN 81-107	YD109401-27	HW07561	0890763 BC Ltd.	2033-11-21
ANN 120-140	YD109440-60	HW07561	0890763 BC Ltd.	2033-11-21
ANN 187-190	YD109507-10	HW07561	0890763 BC Ltd.	2033-11-21
ANN 192	YD109512	HW07561	0890763 BC Ltd.	2033-11-21
Poker 1-16	YD19001-16	HW07561	0890763 BC Ltd.	2032-11-21
Poker 21-39	YD19021-39	HW07561	0890763 BC Ltd.	2032-11-21
Poker 40-56	YD18940-56	HW07561	0890763 BC Ltd.	2032-11-21
Poker 65-68	YD18965-68	HW07561	0890763 BC Ltd.	2032-11-21
Poker 70-76	YD18970-76	HW07561	0890763 BC Ltd.	2032-11-21
Poker 77	YD18977	HW07561	0890763 BC Ltd.	2034-11-21
Poker 79-89	YD18979-89	HW07561	0890763 BC Ltd.	2032-11-21

### Claim Map of the Rude Creek property



## SCHEDULE B

### NET SMELTER ROYALTY TERMS AND CONDITIONS

1. The Net Smelter Royalty is equal to 3.0% of Net Smelter Returns (subject to reduction pursuant to exercise of the NSR buy-back right in the Mining Option Agreement of which this Schedule B forms part) from any mine in production or put into production as a result of commencing commercial production on the Property.
  
2. “**Net Smelter Returns**” means:
  - (a) the actual proceeds received by the Optionee from any mint, smelter, refinery or other purchaser from the sale of ores, minerals, mineral substances, metals (including bullion) or concentrates (collectively “**Product**”) produced from the Property and sold or proceeds received from an insurer in respect of Product, after deducting from such proceeds the following charges to the extent that they were not deducted by the purchaser in computing payments:
    - (i) smelting and refining charges;
    - (ii) penalties, smelter assay costs and umpire assay costs;
    - (iii) cost of freight and handling of ores, metals or concentrates from the Property to any mint, smelter, refinery, or other purchaser;
    - (iv) marketing costs;
    - (v) costs of insurance in respect of Product;
    - (vi) all mining, processing and general and administrative operating costs associated with producing the Product;
    - (vii) customs duties, severance tax, royalties, ad valorem or mineral taxes or the like and export and import taxes or tariffs payable in respect of the Product; and
  - (b) if the Optionee is not the operator but holds a net smelter return royalty, the same as the net smelter return royalty held by the Optionee.
  
3. The Net Smelter Royalty (the “**NSR Royalty**”) will be:
  - (a) calculated and paid on a quarterly basis within 45 days after the end of each quarter of the fiscal year for the mine (an “**Operating Year**”), based on the Net Smelter Returns for that quarter;

- (b) each payment of NSR Royalty will be accompanied by an unaudited statement indicating the calculation of the NSR Royalty hereunder in reasonable detail and the Holder will receive, within three months of the end of each Operating Year, an annual summary unaudited statement (an “**Annual Statement**”) showing in reasonable detail the calculation of the NSR Royalty for the last completed Operating Year and showing all credits and deductions added to or deducted from the amount due to the Holder;
- (c) the holder of the NSR Royalty (the “**Holder**”) will have 45 days from the time of receipt of the Annual Statement to question the accuracy thereof in writing and, failing such objection, the Annual Statement will be deemed to be correct and unimpeachable thereafter;
- (d) if the Annual Statement is questioned by the Holder, and if such questions cannot be resolved between the Optionee and the Holder, the Holder will have 12 months from the time of receipt of the Annual Statement to have such audited, which will initially be at the expense of the Holder;
- (e) the audited Annual Statement will be final and determinative of the calculation of the NSR Royalty for the audited period and will be binding on the parties and any overpayment of NSR Royalty will be deducted by the Optionee from the next payment of NSR Royalty and any underpayment of NSR Royalty will be paid forthwith by the Optionee;
- (f) the costs of the audit will be borne by the Holder if the Annual Statement was accurate within 1% or overstated the NSR Royalty payable by greater than 1% and will be borne by the Optionee if such statement understated the NSR Royalty payable by greater than 1%. If the Optionee is obligated to pay for the audit it will forthwith reimburse the Holder for any of the audit costs which it had paid;
- (g) the Holder will be entitled to examine, on reasonable notice and during normal business hours, such books and records as are reasonably necessary to verify the payment of the NSR Royalty to it from time to time, provided however that such examination shall not unreasonably interfere with or hinder the Optionee’s operations or procedures; and
- (h) if the Optionee’s interest in the Property is a NSR Royalty, the Optionee’s accounting and reporting obligations to the Holder under this paragraph 3 will be limited to the delivery of such documentation as the Optionee receives from the operator of the Property in respect of the payment by such operator of Net Smelter Returns to the Optionee.

4. The determination of the NSR Royalty hereunder is based on the premise that production will be developed solely from the Property. If the Property and one or more other properties are incorporated in a single mining project and metals, ores or concentrates pertaining to each are not readily segregated on a practical or equitable basis, the allocation of actual proceeds received and deductions therefrom will be negotiated between the parties and, if the parties fail to agree on such allocation, the matter will be referred to an independent firm of chartered accountants in Vancouver, BC who represent mining clients and are familiar with the accounting for NSR royalties. The accountants will make reference

to the Mining Option Agreement and to practices used in mining operations that are of a similar nature. The decision of the accountants will be final and binding on the parties.

5. The holding of the NSR Royalty will not confer upon the holder thereof any legal or beneficial interest in the Property. The right to receive a percentage of Net Smelter Returns as and when due is agreed to be a contractual right only. The right to receive a percentage of Net Smelter Returns as and when due will not be deemed to constitute the Holder, the partner, agent or legal representative of the Optionee

6. In addition to its right to repurchase 1.0% of the NSR Royalty as provided for in the Mining Option Agreement, the Optionee shall have a Right of First Refusal on the proposed sale by the Holder of all or part of the NSR Royalty as follows:

- (a) if the Holder (in this paragraph called the “**Offeror**”) intends to sell all or part of the NSR Royalty (in this paragraph the “**Interest**”) it will first give notice in writing to the Optionee (in this paragraph called the “**Offeree**”) of its intention together with the terms and conditions on which the Offeror intends to sell the Interest;
- (b) any communication of an intention to sell pursuant to this paragraph will be in writing delivered in accordance with the Mining Option Agreement and will set out fully and clearly all of the terms and conditions of any intended sale and such communication will be deemed to constitute an offer (the “**Offer**”) by the Offeror to the Offeree to sell the Interest to the Offeree on the terms and conditions set out in such Offer;
- (c) any Offer made as contemplated in this paragraph will be open for acceptance by the Offeree for a period of 60 days from the date of receipt of the Offer by the Offeree;
- (d) if the Offeree accepts the Offer within the time provided in subparagraph (c), such acceptance will constitute a binding agreement of purchase and sale between the Offeror and the Offeree for the Interest on the terms and conditions set out in the Offer; and
- (e) if the Offeree does not accept the Offer within the time prescribed, the Offeror may complete the sale of the Interest on the terms and conditions set out in the Offer or on terms and conditions substantially similar to, but no more favourable than, the terms and conditions set out in the Offer, within 90 days from the expiration of the right of the Offeree to accept such Offer or the Offeror must again comply with the provisions of this paragraph.

7. The operator of the Property, whether or not it is the Optionee, will be entitled to:

- (f) make all operational decisions with respect to the methods and extent of mining and processing of ore, concentrate, doré, metal and products produced from the Property;
- (g) make all decisions relating to sales of such concentrate, doré, metal and products produced; and
- (h) make all decisions concerning temporary or long-term cessation of operations.

8. All capitalized terms not otherwise defined herein shall have the meaning given to them in the Mining Option Agreement to which these Terms and Conditions form Schedule B.