

PRISMO METALS INC.

AND

PROSPECCION Y DESARROLLO MINERO DEL NORTE, SA DE CV

OPTION AGREEMENT

MAY 7th, 2019

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OPTION AGREEMENT

THIS AGREEMENT is dated effective May 7th, 2019.

BETWEEN:

PROSPECCION Y DESARROLLO MINERO DEL NORTE, SA DE CV, the State of Chihuahua, Mexico having an office address at Arquitectos Norte 862 Chapalita de Occidente, Zapopan, Jalisco, zip 45030.

(“**ProDeMin**”)

AND:

PRISMO METALS INC., a company duly incorporated under the laws of Canada having an office address at 1066 West Hastings Street, Suite 2000., Vancouver, British Columbia, V6E 3X2.

(“**Prismo**”)

WHEREAS:

A. ProDeMin is the owner of a 75% interest (the “**Interest**”) in one mineral concession located in the State of Sinaloa, Mexico, as more particularly described in Schedule “A” hereto (the “**Property**”); and

B. ProDeMin has agreed to grant Prismo and a wholly-owned Mexican subsidiary of Prismo to be incorporated (collectively with Prismo, “**MexCo**”) the exclusive option to earn 100% of the Interest in the Property, by making payments to ProDeMin, completing share issuances to ProDeMin, incurring exploration expenditures on the Property and completing the required payments under the Second Agreement (as defined herein), all as herein provided.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the mutual covenants and agreements herein contained and subject to the terms and conditions hereafter set out, the parties hereto agree as follows::

1.0 **DEFINITIONS**

1.1 In this Agreement, except as otherwise expressly provided or as the context otherwise requires:

“**Agreement**” means this Agreement, including the Schedules hereto, as amended or supplemented from time to time.

“**Data**” means all technical records, engineering data and other information relating to the mineral concessions that comprise the Property in the possession of ProDeMin as of the date of this Agreement.

“**concession**” or “**mineral concession**” means *concesion minera* (mineral concession) within the meaning of the *Ley Minera* (Mineral Law) of the United States of Mexico, as amended from time to time.

“**First Agreement**” means the contract by which ProDeMin acquired a 50% interest in the Property

“**Option**” means the option to acquire all the rights, titles and interests of ProDeMin to and in the Property as provided in Section 4.0.

“**Option Period**” means the period commencing on the date of this Agreement and ending on the date that is five (5) years thereafter.

“**Property**” means the mineral concession described in Schedule “A”, and all mining leases and other mining interests derived from any such concessions, and a reference herein to a mineral concession comprised in the Property includes any mineral leases or other interests into which such mineral concession may have been converted, and all Data relating thereto.

“**Second Agreement**” means the contract by which ProDeMin acquired an additional 25% interest in the Property by agreeing to make staged payments over a period of 48 months, a copy of which is attached hereto as Schedule “B”;

“**Vend-In Units**” means 2,000,000 units of Prismo to be issued to ProDeMin (or as directed by ProDeMin) under this Agreement at a deemed price of CAD \$0.05 per unit, which units shall each consist of one common share and one share purchase warrants of Prismo, each warrant being exercisable at a price of CAD \$0.10 per share and expiring on the fifth anniversary of the date of issuance of the Vend-In Units..

1.2 The headings are for convenience only and are not intended as a guide to interpretation of this Agreement or any portion thereof.

1.3 The word “**including**”, when following any general statement or term, is not to be construed as limiting the general statement or term to the specific items or matters set forth or to similar items or matters, but rather as permitting the general statement or term to refer to all other items or matters that could reasonably fall within its broadest possible scope.

1.4 In this Agreement, except as otherwise specified, all references to currency means U.S. currency.

1.5 A reference to a statute includes all regulations made thereunder, all amendments to the statute or regulations in force from time to time, and any statute or regulation that supplements or supersedes such statute or regulations.

1.6 A reference to an entity includes any successor to that entity.

1.7 Words importing the masculine gender include the feminine or neuter, words in the singular include the plural, words importing a corporate entity include individuals, and vice versa.

1.8 A reference to “**approval**”, “**authorization**” or “**consent**” means written approval, authorization or consent.

2.0 **REPRESENTATIONS AND WARRANTIES OF PRODEMIN**

2.1 ProDeMin represents and warrants to Prismo that:

- (a) it has been duly incorporated under the laws of Mexico and validly exists as a company in good standing under such laws, and is legally entitled to hold the Property described in Schedule A and all mineral concessions comprised therein, and all licenses, permits, easements, rights-of-way, certificates and other approvals held by it and will remain so entitled until all interests of ProDeMin have been duly transferred to Prismo as contemplated hereby;
- (b) ProDeMin obtained ownership of the Interest in the Property under two separate agreements between ProDeMin and Ernesto Guzman Ramirez and Jose Manuel

Gayon Aragon; the First Agreement regarding the acquisition of a 50% direct interest in the Property by completing a minimum 400 meter drill program which was completed on or about May 21, 2018; and the Second Agreement regarding the acquisition of an additional 25% interest in the Property by agreeing to make staged payments over 48 months as of the date of signing of Second Agreement,. ProDeMin has applied for registration of the Interest with the Public Mining Registry (*Registro Publico de Minería*), free and clear of all liens, charges and claims and no other payments, taxes or rentals are due in respect thereof, other than the payments under the Second Agreement as described in Schedule “A”;

- (c) the mineral concession has been duly and validly located and recorded pursuant to the laws of Mexico, and, except as specified in Schedule “A” and accepted by Prismo, is in good standing on the date hereof;
- (d) there is no adverse claim or challenge against or to the ownership of or title to the mineral concession, nor to the knowledge of ProDeMin is there any basis therefor, and there are no outstanding agreements or options to acquire or purchase the Property or any portion thereof, and no person, governmental entity, or corporation or association of any kind is entitled to or has been granted any royalty or other payment in the nature of rent or royalty on any minerals, metals or concentrates or any other product mined, produced, removed or otherwise recovered, or to be mined, produced, removed or otherwise recovered, from the Property;
- (e) there is no outstanding directive, order or similar notice issued by any regulatory agency, including agencies responsible for environmental matters, affecting the Property or ProDeMin, nor is there any reason to believe that such an order, directive or similar notice is pending. ProDeMin also covenants that all work carried out on the Property has been done in full compliance with all applicable laws and regulations;
- (f) it has duly obtained all corporate authorizations for the execution of this Agreement and for the performance of its obligations under this Agreement, and the consummation of the transaction herein contemplated will not conflict with or result in any breach of any covenants or agreements contained in, or constitute a default under, or result in the creation of any encumbrance under the provisions of, the Articles or the constating documents of ProDeMin or any shareholders’ or directors’ resolution, indenture, agreement or other instrument whatsoever to which ProDeMin is a party or by which it is bound or to which it may be subject;

- (g) it does not have notice or knowledge of any proposal to terminate or vary the terms of or rights attaching to the mineral concession from any government or other regulatory authority, or of any challenge to ProDeMin's right, title or interest in the mineral concession by any government, regulatory authority or third party such as an *ejido*;
- (h) the mineral concession is not located within a natural protected area (*área natural protegida*) or an ecological reserve, whether federal, state or municipal, nor does ProDeMin have knowledge of the creation or potential creation of such an area or reserve in the location of the Property;
- (i) no proceedings are pending for, and ProDeMin is unaware of any basis for the institution of any proceedings leading to, the dissolution or winding-up of ProDeMin or the placing of ProDeMin in bankruptcy or subject to any other laws governing the affairs of insolvent persons; and
- (j) ProDeMin will provide Prismo with all reference material, reports and data in ProDeMin's possession or under its control which are pertinent to the Property.

2.2 The representations and warranties contained in Section 2.1 are provided for the exclusive benefit of Prismo, and a breach of any one or more thereof may be waived by Prismo in whole or in part at any time without prejudice to its rights in respect of any other breach of the same or any other representation or warranty; and the representations and warranties contained in Section 2.1 will survive the execution hereof.

3.0 **REPRESENTATIONS AND WARRANTIES OF PRISMO**

3.1 Prismo represents and warrants to ProDeMin that:

- (a) it has been duly incorporated and validly exists as a corporation in good standing under the laws of Canada;
- (b) it has duly obtained all corporate authorizations for the execution of this Agreement and for the performance of its obligations under this Agreement, and the consummation of the transaction herein contemplated will not conflict with or result in any breach of any covenants or agreements contained in, or constitute a default under, or result in the creation of any encumbrance under the provisions of, the Articles or the constating documents of Prismo or any shareholders' or directors' resolution, indenture, agreement or other instrument whatsoever to which Prismo is a party or by which it is bound or to which it may be subject;

- (c) no consent or approval of any third party or governmental agency is required for its execution, delivery or performance of this Agreement except as provided herein.

3.2 The representations and warranties contained in Section 3.1 are provided for the exclusive benefit of ProDeMin and a breach of any one or more thereof may be waived by ProDeMin in whole or in part at any time without prejudice to its right in respect of any other breach of the same or any other representation or warranty; and the representations and warranties contained in Section 3.1 will survive the execution hereof.

4.0 **OPTION**

4.1 ProDeMin hereby grants to Prismo the sole and exclusive right and option, subject to the terms of this Agreement, to acquire the Interest and all of ProDeMin's rights, titles and interests in the Property free and clear of all charges, encumbrances and claims, except for the outstanding payments to be completed under the Second Agreement.

4.2 In consideration for being granted the Option, Prismo shall, concurrently with the execution of this Agreement:

- (a) Issue the Vend-In Units to ProDeMin, or as directed by ProDeMin;
- (b) Make a cash payment of \$25,000 to ProDeMin; and
- (c) Reimburse to ProDeMin the expenditures incurred to date by ProDeMin in the amount of CAD \$25,000, such reimbursement to be completed on a share-for-debt basis by the issuance to ProDeMin of 500,000 common shares of Prismo at a deemed price of CAD \$0.05 per share.

4.3 Furthermore, as additional consideration for the Option, the exercise of the Option is conditional upon Prismo (i) making the outstanding payments under the Second Agreement, (ii) incurring a total of \$1.5 million in expenditures on the Property during the Option Period (subject to the minimum expenditures indicated in paragraphs (c) to (e) below), (iii) paying to ProDeMin an additional amount of \$46,823 and (iv) issuing to ProDeMin an additional 2,000,000 common shares, as follows:

- (a) Assuming the outstanding obligations of ProDeMin under the Second Agreement, including making the bi-annual tax payments on the mineral concession and completing

the minimum amount of exploration expenditures required by applicable law to keep the mineral concession in good standing;

- (b) Paying ProDeMin an amount of \$21,823 on the date of the closing of Prismo's first financing following the listing of its common shares on a recognized Canadian stock exchange;
- (c) Incurring a minimum of CAD \$100,000 in expenditures within the first two (2) years following the date of this Agreement, and also paying during such period all fees and duties required to maintain the mineral concession in good standing.
- (d) Paying an amount of \$25,000 to ProDeMin and incurring a minimum of \$100,000 in expenditures on the Property for each of the third and fourth year following the date of this Agreement, and also paying during such period all fees and duties required to maintain the mineral concession in good standing ; and
- (e) Issuing to ProDeMin, or as directed by ProDeMin, 2,000,000 common shares and incurring a minimum of \$500,000 in expenditures on the Property in the fifth year following the date of this Agreement, and also paying during such period all fees and duties required to maintain the mineral concession in good standing; and

5.0 **ACQUISITION OF INTEREST**

5.1 Once Prismo has satisfied its obligations under Section 4, Prismo and MexCo shall have earned the Interest and all of ProDeMin's rights, titles and interests in the Property free and clear of all charges, encumbrances and claims.

6.0 **RIGHT OF ENTRY**

6.1 Throughout the Option Period, MexCo and any of its directors, officers, employees, servants, agents and independent contractors, will have the sole and exclusive right in respect of the Property to:

- (a) enter thereon;
- (b) have exclusive and quiet possession thereof;
- (c) do such prospecting, exploration, development and/or other mining work thereon and thereunder as Mexco in its sole discretion may determine advisable;

- (d) bring upon and erect upon the Property buildings, plant, machinery and equipment as Mexco may deem advisable; and
- (e) remove therefrom and dispose of reasonable quantities of ores, minerals and metals for the purpose of obtaining assays or making other tests.

7.0 **TRANSFER OF INTEREST**

7.1 ProDeMin agrees to deliver to MexCo duly executed transfer documentation as required by applicable laws, and in a form satisfactory to MexCo and its counsel, within 10 days of the exercise of the Option, in order to transfer the Interest to MexCo.

7.2 At any time during the Option Period, a memorandum of this Agreement, shall, upon the written request of any party, be recorded in the office of any governmental agency so requested, in order to give notice to third parties of the respective interests of the parties in the Property and this Agreement. Each party hereby covenants and agrees with the requesting party to execute such documents as may be necessary to perfect such recording.

8.0 **OBLIGATIONS DURING OPTION PERIOD**

8.1 During the Option Period, Prismo will:

- (a) maintain in good standing those mineral concessions comprised in the Property that are in good standing on the date hereof by the doing and filing of assessment work or the making of payments in lieu thereof, by the payment of taxes and rentals and the performance of all other actions which may be necessary in that regard and in order to keep such mineral concessions free and clear of all liens and other charges;
- (b) do all work on the Property in a good and workmanlike fashion and in accordance with all applicable laws, regulations, orders and ordinances of any governmental authority;
- (b) indemnify and save ProDeMin harmless in respect of any and all costs, claims, liabilities and expenses arising out of Prismo's activities on the Property, .
- (c) comply with applicable laws and regulations regarding its activities carried out on the Property.

8.2 During the Option Period, ProDeMin will:

- (a) permit the directors, officers, employees, agents, servants and designated consultants of Prismo, at their own risk and cost, access to the Property and to all Data relating to the Property which is in the possession of ProDeMin at all reasonable times;
- (b) comply with applicable laws and regulations regarding its activities carried out on the Property.

9.0 **TERMINATION OF OPTION**

9.1 If the Option is terminated under Section 13.0 or as a result of Prismo electing, in its sole discretion, not to complete its obligations under Section 4.3, Prismo will:

- (a) deliver at no cost to ProDeMin within 30 days of such termination copies of all reports, maps, assay results and other relevant technical data compiled by or in the possession of Prismo with respect to the Property and not theretofore furnished to ProDeMin; and
- (b) comply with applicable laws and regulations regarding reclamation for activities carried out on the Property by Prismo.

9.2 Should Prismo elect not to complete any of the payments and other obligations specified in Section 4.3, Prismo agrees to provide ProDeMin with a prior written notice of 30 days following which this Agreement shall automatically terminate.

9.3 Notwithstanding the termination of the Option, Prismo will have the right, within a period of 60 days following such termination, to remove from the Property all buildings, plant, equipment, machinery, tools, appliances and supplies which have been brought upon the Property by or on behalf of Prismo, and any such Property not removed within such 60-day period will thereafter become the property of ProDeMin. Prismo will incur no obligation in respect of claims arising or damages suffered after termination of the Option if, upon termination of the Option, any workings on or improvements to the Property made by Prismo are left in a safe condition.

10.0 **ASSIGNMENT**

10.1 During the Option Period, Prismo (and MexCo) may not at any time sell, transfer or otherwise dispose of all or any portion of its rights under this Agreement without the prior consent of ProDeMin, which consent will not be unreasonably withheld, subject to the obligation of the transferee to comply with this Agreement and assume all obligations of Prismo hereunder.

At such time, Prismo will be discharged from any future obligations under the Agreement save and except for any obligations that were outstanding as of the date of assignment.

11.0 **FORCE MAJEURE**

11.1 If Prismo is at any time either during the Option Period or thereafter prevented or delayed in complying with any provision of this Agreement by any reason or reasons beyond the control of Prismo (“**Event of Force Majeure**”), but excluding lack of funds, the time period for the performance by Prismo of its obligations hereunder will be extended by a period of time equal in length to the period of each such Event of Force Majeure.

11.2 Prismo will promptly give notice to ProDeMin of each Event of Force Majeure and upon the cessation of such event, will provide ProDeMin with a notice to that effect together with the number of days by which the obligations of Prismo hereunder have been extended by virtue of such Event of Force Majeure.

12.0 **CONFIDENTIAL INFORMATION**

12.1 Confidentiality

Except as otherwise provided in this Agreement, each party agrees that without the prior written consent of the other party, it will treat as confidential and prevent disclosure to any third parties of any geological, geophysical or other factual and technical information and data relating to the Property or activities related to the Property. Except as expressly provided herein, each of the parties shall be entitled to all information respecting the Property or activities related to the Property, including copies of all maps, data and reports which can be reproduced and which have not previously been furnished to the party.

12.2 Public Announcements

During the Option Period, no party shall make any announcement, press release or public statement relating in any manner to this Agreement, the Property or activities related to the Property without first furnishing the proposed text thereof to the other party and obtaining the other party’s prior approval in writing, at least two business days prior to the proposed date of such disclosure, which approval shall not be unreasonably withheld or delayed. Whenever practicable and appropriate, the parties hereby agree that any announcements, press releases or public statements shall be issued jointly by the parties.

12.3 Exceptions

12.3.1 The approval required by Sections 12.1 and 12.2 shall not apply to a disclosure:

- (a) to a director, officer, employee, affiliate, consultant, contractor, or subcontractor that has a *bona fide* need to be informed;
- (b) reasonably required by applicable laws or by a third party or parties in connection with negotiations for a permitted assignment of an interest under this Agreement, an interest in the Property, or the acquisition of an equity or other interest in a party by such third party or parties;
- (c) to a governmental agency or to the public in general where the disclosing party has determined in good faith that the disclosure is required by applicable laws or the rules or policies of any stock exchange or securities regulatory authority having jurisdiction;
- (d) reasonably required by a party in the prosecution or defense of a lawsuit or other proceeding;
- (e) as reasonably required by a financial institution or other similar entity in connection with any financing being undertaken by a party hereto for purposes of this Agreement;
- (f) information which is or becomes part of the public domain other than through a breach of this Agreement;
- (g) information already in the possession of a party or its affiliate prior to receipt thereof from any other party or its affiliates or development of such information under this Agreement; or
- (h) information lawfully received by a party or an affiliate from a third party not under an obligation of secrecy to the other party.

12.4 Privacy Legislation

Each party to this Agreement acknowledges and consents to the fact that the other party is collecting the personal information (as that term is defined under applicable privacy legislation, including, notably, the *Personal Information and Protections and Electronic Documents Act* (Canada)) of the other party for the purposes of completing this Agreement. Each party acknowledges and consents to the other party retaining such personal information for the purposes hereunder. Each party further acknowledges and consents to the other party

providing any regulatory authorities having jurisdiction with any personal information provided by the other party under this Agreement, the whole as may be required by applicable securities legislation or the rules and policies of any stock exchange to.

13.0 **DEFAULT AND TERMINATION**

13.1 Notwithstanding Section 4.0, if at any time during the Option Period Prismo fails to perform any obligation required to be performed hereunder or is in breach of a warranty given herein, which failure or breach materially interferes with the implementation of this Agreement, ProDeMin may terminate this Agreement but only if:

- (a) it first gives to Prismo a notice of default containing particulars thereof; and
- (b) Prismo has not, within 30 days after delivery of such notice of default, cured such default or begun to cure such default by appropriate payment or performance (Prismo hereby agreeing that should it so begin to cure any default it will pursue the same to completion without undue delay).

13.2 If Prismo fails to comply with the provisions of Section 13.1(b), ProDeMin may thereafter terminate this Agreement.

14.0 **NOTICES**

14.1 Each notice, demand or other communication required or permitted to be given under this Agreement will be in writing and will be sent by prepaid registered mail addressed to the party entitled to receive the same, or delivered to such party, at the address for such party specified or by email, in each case addressed as applicable as follows:

- (a) If to Prismo (and MexCo) at:

Prismo Metals Inc.
1066 West Hastings Street, Suite 2000
Vancouver, British Columbia, V6E 3X2

Attention: Salvador Miranda
Tel: (+1) 604 925 2839
Email miranda@interam.com

(b) If to ProDeMin at:

Prospección y Desarrollo Minero del Norte S.A. de C.V.
Arquitectos Norte 862 Chapalita de Occidente,
Zapopan, Jalisco, zip 45030

Attention: Miguel Paz
Tel: +52 (614) 239 4182
Email miguel.paz@prodemin.com

or to such other address as is specified by the particular party by notice to the other party.

14.2 The date of receipt of such notice, demand or other communication will be the date of delivery thereof if delivered or the date of transmission by email, or, if given by registered mail as aforesaid, will be deemed to be conclusively received on the third day such document will have been so mailed except in the case of interruption of postal services for any reason whatsoever, in which case the date of receipt will be the date on which the notice, demand or other communication is actually received by the addressee.

15.0 **GENERAL**

15.1 This Agreement constitutes the entire agreement between the parties and upersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties. There are no warranties, representations or other agreements between the parties in connection with the subject matter of this Agreement except as specifically set forth in this Agreement. No supplement, modification, waiver or termination of this Agreement shall be binding unless executed in writing by the party to be bound thereby.

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

15.3 The parties will promptly execute or cause to be executed all documents, deeds, conveyances and other instruments of further assurance including any instrument required by applicable laws, which may be reasonably necessary or advisable to carry out fully the intent of this Agreement or to record wherever appropriate the respective interests of the parties in the Property.

15.4 This Agreement and any other writing delivered pursuant hereto may be executed in any number of counterparts with the same effect as if all parties to this Agreement or such

other writing had signed the same document and all counterparts will be construed together and will constitute one and the same instrument.

15.5 This Agreement will be governed and construed according to the laws of the Province of British Columbia and the laws of Canada applicable therein and the parties hereby attorn to the jurisdiction of the Courts of British Columbia in respect of all matters arising hereunder.

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

[Signature Page Follows]

IN WITNESS WHEREOF this Agreement has been executed by the Parties hereto as of the day and year first above written.

PRISMO METALS INC.

Per: “*Salvador Miranda*”
Authorized Signatory

PROSPECCION Y DESARROLLO MINERO DEL NORTE, SA DE CV

Per: “*Craig Gibson*”
Authorized Signatory

SCHEDULE "A"

This is Schedule "A" to that Agreement dated May 7th, 2019 between PRISMO METALS INC. and **PROSPECCION Y DESARROLLO MINERO DEL NORTE, SA DE CV.**

<u>CONCESSION</u>	<u>TITLE NUMBER</u>	<u>STATE</u>	<u>EXPIRY DATE</u>
Palos Verdes	165453	Sinaloa	17 Oct 2029

Under the Second Agreement, the following payments are required to be completed:

Payments:	\$15,000	on or before May 20 th , 2019
	\$25,000	6 months from date above
	\$25,000	12 months from date above
	\$25,000	18 months from date above
	\$25,000	24 months from date above
	\$25,000	30 months from date above
	\$50,000	36 months from date above
	<u>\$50,000</u>	42 months from date above
Total	\$240,000	

SCHEDULE “B”

This is Schedule “B” to that Agreement dated May 7th, 2019 between PRISMO METALS INC. and **PROSPECCION Y DESARROLLO MINERO DEL NORTE, SA DE CV.**

Redacted. Original agreement between private parties in Spanish.