

MINERAL PROPERTY OPTION AGREEMENT

THIS AGREEMENT dated as of the 15th day of December, 2020 (the "Effective Date").

BETWEEN:

Origen Resources Inc. a British Columbia company having an address at Suite 488 – 625 Howe Street, Vancouver, British Columbia V6C 2T6

(the "Optionor")

OF THE FIRST PART

AND:

Hawthorn Resources Corp. a British Columbia company having an address at Suite 420 – 625 Howe Street, British Columbia V6C 2T6

(the "Optionee")

OF THE SECOND PART

WHEREAS:

A. The Optionor is the sole recorded and beneficial owner of the mineral claims described in Schedule "A" hereto (the "Property"); and

B. The Optionor wishes to sell an undivided 75% interest in and to the Property to the Optionee and the Optionee wishes to acquire such interest pursuant to the terms and conditions set out in this Agreement.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the premises and of the mutual covenants and agreements hereinafter contained, the parties hereto agree as follows:

1. INTERPRETATION

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

- (a) "Affiliate" shall have the meaning attributed to it in the *Business Corporations Act* (British Columbia).
- (b) "Agreement" means this agreement and all schedules hereto, as may be amended from time to time.
- (c) "Effective Date" means the date of this agreement.
- (d) "Exchange Approval Date" means the date upon which a recognised Canadian Stock Exchange has given approval to list the shares of the Optionee to trade.
- (e) "Encumbrance" means any privilege, mortgage, hypothec, lien, charge, pledge, security interest or adverse claim.

- (f) "Environmental Laws" means laws relating to reclamation or restoration of the Property; abatement of pollution; protection of the environment; monitoring environmental conditions; protection of wildlife, including endangered species; ensuring public safety from environmental hazards; protection of cultural or historic resources; management, storage or control of hazardous materials or substances; releases or threatened releases of pollutants, contaminants, chemicals or industrial, toxic or hazardous substances into the environment; and all other laws relating to the manufacturing, processing, distribution, use, treatment, storage, disposal, handling or transport of pollutants, contaminants, chemicals or industrial, toxic or hazardous substances or wastes.
- (g) "Environmental Liability" means any and all claims, actions, causes of action, damages, losses, liabilities, obligations, penalties, judgments, amounts paid in settlement, assessments costs, disbursements, or expenses (including, without limitation, legal fees and costs, experts' fees and costs and consultants' fees and costs) of any kind or of any nature whatsoever that are asserted against the Optionor or any other party in respect of the Property, alleging liability (including, without limitation, liability for studies, testing or investigatory costs, cleanup costs, response costs, removal costs, remediation costs, containment costs, restoration costs, corrective action costs, closure costs, reclamation costs, natural resource damages, property damages, business losses, personal injuries, penalties or fines) arising out of, based on or resulting from (i) the presence, release, threatened release, discharge or emission into the environment of any hazardous materials or substances existing or arising on, beneath or above the Property and/or emanating or migrating and/or threatening to emanate or migrate from the Property to off-site properties; (ii) physical disturbance of the environment caused by or relating to operations; or (iii) the violation or alleged violation of the Environmental Laws arising from or relating to operations.
- (h) "Exploration Expenditures" means all expenditures and costs incurred by the Optionee relating directly or indirectly to the Property, including all expenditures and costs incurred: (a) in doing geophysical, geochemical, land, airborne, environmental and geological examinations, assessments, assays, audits and surveys; (b) in line cutting, mapping, trenching and staking; (c) in searching for, digging, trucking, sampling, working, developing, mining and extracting ores, minerals and metals; (d) in conducting diamond and other drilling; (e) in obtaining, providing, installing and erecting mining, milling and other treatment, plant, ancillary facilities, buildings, machinery, tools, appliances and equipment; (f) in construction of access roads and other facilities on or for the benefit of the Property or any part thereof; (g) in transporting personnel, supplies, mining, milling and other treatment plant, ancillary facilities, buildings, machinery, tools, appliances and equipment in, to or from the Property or any part thereof; (h) in paying reasonable wages and salaries (including "fringe benefits", but excluding home office costs) of personnel directly engaged in performing work on the Property; (i) in paying assessments and contributions under applicable employment legislation relating to workers' compensation and unemployment insurance and other applicable legislation related to such personnel; (j) in supplying food, lodging and other reasonable needs for such personnel; (k) in obtaining and maintaining insurance; (l) in obtaining legal, accounting, consulting and other contract and professional services or facilities related to work performed or to be performed hereunder; (m) in paying any taxes, fees, charges, payments and rentals (including payments made in lieu of assessment work) or otherwise incurred to transfer the

Property or any part thereof in good standing; (n) in paying goods and services tax and social service tax and other taxes charged on expenditures made or incurred by the Optionee relating directly or indirectly to the Property; (o) in acquiring access and surface rights to the Property; (p) in carrying out any negotiations and preparing, settling and executing any agreements and other documents relating to environmental or indigenous peoples' claims, requirements or matters; (q) in obtaining all necessary or appropriate approvals, permits, consents and permissions relating to carrying out of work, including environmental permits, approvals and consents; (r) in carrying out reclamation and remediation; (s) in improving, protecting and perfecting title to the Property or any part thereof; (t) in carrying out mineral, soil, water, air and other testing; and (u) in preparing engineering, geological, financing, marketing and environmental studies and reports and test work related thereto.

- (i) "Net Smelter Royalty" has the meaning set forth in Schedule "B".
- (j) "Property" means the mineral claims described in Schedule "A", including any replacement or successor mineral claims and other mining interests derived from any such lease.
- (k) "Parties" means the Optionee and the Optionor and each of them is a "Party".
- (l) "Shares" means the common shares of the Optionee to be issued to the Optionor in accordance with the terms of this Agreement.

1.2 All references to monies hereunder will be in Canadian funds. All payments to be made to any Party hereunder may be made by cheque mailed or delivered to such Party to its address for notice purposes as provided herein.

2. REPRESENTATIONS AND WARRANTIES

2.1 The Optionor represents and warrants to the Optionee that:

- (a) the Optionor is the legal and beneficial owner of a one hundred percent (100%) interest in the mineral claims recorded in its name as described in Schedule "A" and has the exclusive right to enter into this Agreement and dispose of an interest in the mineral claims in accordance with the terms hereof;
- (b) the mineral claims comprising the Property have been properly located, staked and recorded in compliance with the laws of the jurisdiction in which they are situated, are accurately described in Schedule "A" and are valid and subsisting mineral claims as at the date of this Agreement;
- (c) the Property is in good standing under all applicable laws and regulations, all assessment work required to be performed and filed has been performed and filed, all taxes and other payments have been paid and all filings have been made;
- (d) the Property is free and clear of any Encumbrances and the Optionor nor, to the best of the Optionor's knowledge, any of its predecessors in interest or title, have done anything whereby the Property may be encumbered;

- (e) The Optionor has the right to enter into this Agreement and to deal with the Property in accordance with the terms of this Agreement, there are no disputes over the title to the Property, and no other party has any interest in the Property or the production therefrom or any right to acquire any such interest;
- (f) the Optionor has duly obtained all necessary governmental and other authorizations for the execution and performance of this Agreement, and the consummation of the transactions 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, agreement or other instrument whatsoever to which the Optionor is a party or by which it is bound or to which it or the Property may be subject;
- (g) there are no obligations or commitments for reclamation, closure or other environmental corrective, clean-up or remediation action directly or indirectly relating to the Property;
- (h) no environmental audit, assessment, study or test has been conducted on the Property by or on behalf of the Optionor nor is the Optionor aware after reasonable inquiry of any of the same having been conducted by or on behalf of any governmental authority or by any other person;
- (i) there are no outstanding agreements or options to purchase or otherwise acquire the Property or any portion thereof or any interest therein, and no person has any royalty or other interest whatsoever in the production from the or the profits earned from any of the mineral claims comprising the Property; and
- (j) no proceedings are pending for, and the Optionor is unaware of any basis for the institution of any proceedings leading to, the dissolution or winding up of the Optionor or the placing of the Optionor in bankruptcy or subject to any other laws governing the affairs of insolvent corporations.

2.2 The Optionee represents and warrants to the Optionor that:

- (a) the Optionee has been duly incorporated and is a valid and subsisting body corporate under the laws of British Columbia and is duly qualified to carry on business in its jurisdiction of incorporation and to hold an interest in the Property;
- (b) the Optionee has duly obtained all corporate authorizations for the execution of this Agreement and for the performance of this Agreement by it, and the consummation of the transactions 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 the Optionee or any shareholders' or directors' resolution, indenture, agreement or other instrument whatsoever to which the Optionee is a party or by which it is bound or to which it or the Property may be subject;
- (c) no proceedings are pending for, and the Optionee is unaware of any basis for the institution of any proceedings leading to, the dissolution or winding up of the Optionee or the placing of the Optionee in bankruptcy or subject to any other laws governing the affairs of insolvent corporations; and

- (d) the Shares will, at the time of delivery to the Optionor, be duly authorized and validly allotted and issued as fully paid and non-assessable, free and clear of all liens, charges or Encumbrances.

2.3. The representations and warranties in this Agreement shall survive the closing date and shall apply to all assignments, conveyances, transfers and documents delivered in connection with this Agreement and there shall not be any merger of any representations and warranties in such assignments, conveyances, transfers or documents notwithstanding any rule of law, equity or statute to the contrary and all such rules are hereby waived. The Optionor shall have the right to waive any representation and warranty made by the Optionee in the Optionor's favour without prejudice to any of its rights with respect to any other breach by the Optionee and the Optionee shall have the same right with respect to any of the Optionor's representations in the Optionee's favour.

3. GRANT AND EXERCISE OF OPTION

3.1 The Optionor hereby grants to the Optionee the sole and exclusive right and option (the "Option") to acquire an undivided seventy-five percent (75%) interest in and to the Property free and clear of all charges, encumbrances and claims.

3.2 The Optionee will be deemed to have exercised the Option upon:

- (a) the Optionee paying an aggregate of \$250,000 and issuing an aggregate of 1,000,000 shares to the Optionor as follows:
 - (i) \$15,000 upon signing this agreement
 - (ii) \$25,000 and issuing 150,000 shares within 15 days of Exchange approval and acceptance of the 43-101 report ("Exchange approval Date"); and
 - (iii) issuing 200,000 shares on or before (12) months after the Exchange Approval Date; and
 - (iv) \$60,000 on or before 18 months of the Exchange Approval Date; and
 - (v) \$70,000 and issuing 250,000 shares on or before the second anniversary of the Exchange Approval Date; and
 - (vi) \$80,000 and issuing 400,000 shares on the third anniversary of the Exchange Approval Date.
- (b) the Optionee incurring \$500,000 in Exploration Expenditures as follows:
 - (i) \$100,000 on or before the first anniversary of the Exchange Approval Date;
 - (ii) \$400,000 on or before the third anniversary of the Exchange Approval Date.

3.3 Any excess Exploration Expenditures will be cumulative and can be carried forward to future years or in the event of a shortfall of Exploration Expenditures, the Optionee can pay

the Optionor the shortfall amount in cash or an equivalent value in the Optionee's shares at the Optionor's election.

3.4 This Agreement shall be recorded by the Optionee in the provincial government offices in order to give notice to third parties of the Optionee's interest in the Property and this Agreement. Each Party covenants and agrees to the other to execute such documents as may be necessary to perfect such recording.

3.5 Upon exercise of the Option, the Optionor shall cause the Optionee to be recorded as the registered owner of the mineral claims that comprise the Property.

3.6 In the event that the Effective Date has not occurred by July 31, 2021, the Optionor in its discretion may terminate this Agreement, any amounts paid by the Optionee will be forfeited to the Optionor and this Agreement shall have no further force or effect.

4 NET SMELTER RETURN

4.1 The Optionee will grant a 1.5% Net Smelter Royalty to the Optionor upon acquiring a 75% interest in the Property.

4.2 The Optionee will have the right to purchase from the Optionor 1% of the Net Smelter Royalty, within one year of commencement of Commercial Production., at a cost of \$1,000,000.

5 ENVIRONMENTAL INDEMNIFICATION

5.1 The Optionor agrees to indemnify and save the Optionee harmless from and against any Environmental Liability or any other damages, costs and other losses suffered or incurred by the Optionee arising directly or indirectly from any operations or activities conducted in or on the Property by the Optionor or others prior to the date of this Agreement.

5.2 The Optionee agrees to indemnify and save the Optionor harmless from and against any Environmental Liability or any other damages, costs and other losses suffered or incurred by the Optionor arising directly or indirectly from any operations or activities conducted in or on the Property by the Optionee or others after the date of this Agreement.

6 RIGHTS AND OBLIGATIONS

6.1 As operator, all work programs shall be at the sole discretion of the Optionee who will contract the Optionor's personnel or their designates to carry out all work programs on the property.

6.2 For so long as the Option is outstanding, the Optionee its Affiliates, employees, representatives, agents and independent contractors shall have the right:

- (a) to access all information in the possession or control of the Optionor relating to the prior operations of the Property, including all geological, geophysical and geochemical data and drill results;
- (b) to enter upon the Property and carry out such exploration and development work thereon and thereunder as the Optionee considers advisable, including removing material from the Property for the purpose of testing; and
- (c) to bring upon and erect upon the Property such structures, machinery and equipment, facilities and supplies as the Optionee considers advisable.

6.3 The Optionor shall have access to the Property, concurrently with the Optionee, at all reasonable times, at the Optionor's own risk and expense, for the purpose of inspecting the work being done by the Optionee, provided such inspection does not unduly interfere with any work being carried out by or on behalf of the Optionee.

6.4 For as long as the Option is outstanding, the Optionee shall:

- (a) maintain in good standing those mineral claims comprising the Property 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 claims free and

clear of all liens and other charges arising from the Optionee's activities thereon except those at the time contested in good faith by the Optionee;

- (b) record all exploration work carried out on the Property by the Optionee as assessment work;
- (c) 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;
- (d) in the event of termination of the Agreement, the reclamation bond, if any, then in place will be maintained by the Optionee until a mine inspector has confirmed that all reclamation requirements have been satisfied;
- (e) permit the Optionor, at its own expense, reasonable access to the records of expenditures and the results of the work done on the Property during the last completed calendar year;
- (f) deliver to the Optionor, annually on or before each anniversary date of this Agreement, copies of all reports, maps, assay results and other technical data compiled by or prepared at the direction of the Optionee with respect to the Property; and
- (g) use commercially reasonable efforts to communicate with and inform the applicable government, First Nations and any other interested parties, as required by applicable law, in connection with its exploration activities on the Property.

7 TERMINATION OF OPTION AND AGREEMENT

7.1 the Option shall terminate:

- (a) at any time, by the Optionee giving thirty days' notice of such termination to the Optionor; and
- (b) if the Optionee has failed to either make the payments, issue the Shares and incur the Exploration Expenditures set out in section 3.2 of this Agreement, upon the Optionor giving thirty days' notice of such default to the Optionee,

7.2 If the Optionee or the Optionor give such notice of terminate as set out in section 7.1 of this Agreement, this Agreement shall terminate and no further obligations or liabilities to the Optionor.

7.3 If the Option is terminated:

- (a) the Optionee shall deliver or make available at no cost to the Optionor within 90 days of such termination, all drill core, copies of all reports, maps, assay results and other relevant technical data compiled by, prepared at the direction of, or in the possession of the Optionee with respect to the Property and not theretofore furnished to the Optionor;
- (b) the Optionee shall perform all reclamation work as is deemed by the District Inspector of Mines to be necessary;

- (c) the Optionee shall have the right, within a period of 180 days following the end of the Option, 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 the Optionee, and any such property not removed within such 180 day period shall thereafter become the property of the Optionor. Any such Property remaining on the Property after the 180 day period may, at the Optionor discretion, be removed by the Optionor and the costs incurred in such removal may be charged to the Optionee; and
- (d) return the property with at least one (1) year assessment credit.

8 AREA OF INTEREST

8.1 If either Party or any of its Affiliates stakes, acquires or acquires an interest, by option or joint venture, in a mineral claims or any other form of mineral tenure (the "AOI Tenure") located wholly or partly in an area (the "Area of Interest") within two kilometre from any portion of the Property as it exists at the date of execution of this Agreement, the acquiring Party shall forthwith give notice to the other Party of such staking or acquisition, the costs thereof and all details in its possession with respect to the nature of the AOI Tenure and the known mineralization thereon. Upon delivery of such notice, the other Party may elect by notice to the acquiring Party to require that such AOI Tenure be included in and thereafter form part of the Property.

9 NOTICE

9.1 Each notice, demand or other communication required or permitted to be given under this Agreement shall be in writing and shall be delivered by hand, courier, facsimile or email to such Party at the address for such Party specified above. The date of receipt of such notice, demand or other communication shall be the date of delivery thereof if delivered by hand, courier or email or, if by facsimile, shall be deemed conclusively to be the next business day. Either Party may at any time and from time to time notify the other Party of a change of address and the new address to which notice shall be given to it thereafter; provided that any such notification shall be delivered in accordance with this section.

10 ARBITRATION

10.1 All questions or matters in dispute under this Agreement shall be submitted to arbitration pursuant to the terms hereof.

10.2 It shall be a condition precedent to the right of any Party to submit any matter to arbitration pursuant to the provisions hereof, that any Party intending to refer any matter to arbitration shall have given not less than ten (10) days prior notice of its intention to do so to the other Party, together with particulars of the matter in dispute. On the expiration of such ten (10) days, the Party who gave such notice may proceed to refer the dispute to arbitration as provided in section 10.3.

10.3 The Party desiring arbitration shall appoint one arbitrator, and shall notify the other Party of such appointment, and the other Party shall, within fifteen (15) days after receiving such notice, either consent to the appointment of such arbitrator which shall then carry out the arbitration or appoint an arbitrator, and the two arbitrators so named, before proceeding to act, shall, within thirty (30) days of the appointment of the last appointed arbitrator, unanimously agree on the appointment of a third arbitrator to act with them and be chairman of the arbitration herein provided

for. If the other Party shall fail to appoint an arbitrator within fifteen (15) days after receiving notice of the appointment of the first arbitrator, the first arbitrator shall be the only arbitrator. If the two arbitrators appointed by the Parties shall be unable to agree on the appointment of the chairman, the chairman shall be appointed under the provisions of the *Arbitration Act* (British Columbia). Except as specifically otherwise provided in this section, the arbitration herein provided for shall be conducted in accordance with such Act. The chairman, or in the case where only one arbitrator is appointed, the single arbitrator, shall fix a time and place in Vancouver, British Columbia, for the purpose of hearing the evidence and representations of the Parties, and he shall preside over the arbitration and determine all questions of procedure not provided for under such Act or this section. After hearing any evidence and representations that the Parties may submit, the single arbitrator, or the arbitrators, as the case may be, shall make an award and reduce the same to writing, and deliver one copy thereof to each of the Parties. The expense of the arbitration shall be paid as specified in the award.

10.4 The Parties agree that the award of a majority of the arbitrators, or in the case of a single arbitrator, of such arbitrator, shall be final and binding upon each of them.

11 MISCELLANEOUS

11.1 All matters concerning the execution and contents of this Agreement and the Property shall be treated as and kept confidential by the Parties and there shall be no public release of any information concerning this Agreement or the Property, except where such release: (i) is of information that is now or hereafter becomes publicly available, other than by reason of the disclosing Party's failure to comply with this Agreement; or (ii) is required by law, by a court, by a regulatory authority having jurisdiction, or according to the rules, by-laws, policies, disclosure standards or codes of professional conduct or ethics of any applicable stock exchange, securities regulatory authority having jurisdiction or applicable statutorily recognized professional association, in which event such information so disclosed shall no longer be considered confidential information. Notwithstanding the foregoing, the Optionee is entitled to disclose confidential information to prospective investors or lenders, who shall be required to keep all such confidential information confidential.

11.2 This Agreement constitutes the entire agreement between the Parties and replaces and supersedes all agreements, memoranda, correspondence, communications, negotiations and representations, whether verbal or express or implied, statutory or otherwise, between the Parties with respect to the subject matter herein.

11.3 The Parties shall promptly execute or cause to be executed all documents, deeds, conveyances and other instruments of further assurance and do such further and other acts which may be reasonably necessary or advisable to carry out fully the intent of this Agreement or to record wherever appropriate the respective interest from time to time of the Parties in the Property.

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

11.5 This Agreement shall be governed by and construed in accordance with the laws of British Columbia and shall be subject to the approval of all securities regulatory authorities having jurisdiction.

11.6 If any provision of this Agreement shall be invalid, illegal or unenforceable in any respect under any applicable law, such provision may be severed from this Agreement, and the validity,

legality and enforceability of the remaining provisions hereof shall not be affected or impaired by reasons thereof.

11.7 Time shall be of the essence in this Agreement.

11.8 Wherever the neuter and singular is used in this Agreement it shall be deemed to include the plural, masculine and feminine, as the case may be.

11.9 This Agreement may be executed in several parts in the same form and such parts as so executed shall together constitute one original agreement, and such parts, if more than one, shall be read together and construed as if all the signing Parties hereto had executed one copy of this Agreement.

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

ORIGEN RESOURCES INC.

(Signed) "*Gary Schellenberg*"
Authorized Representative

HAWTHORN RESOURCES CORP.

(Signed) "*Daniel Joyce*"
Authorized Representative

SCHEDULE "A" Broken Handle Property

Claim #	Due Date	Hectares	Existing Royalty
1058060	2023/Oct/20	2098.33	0

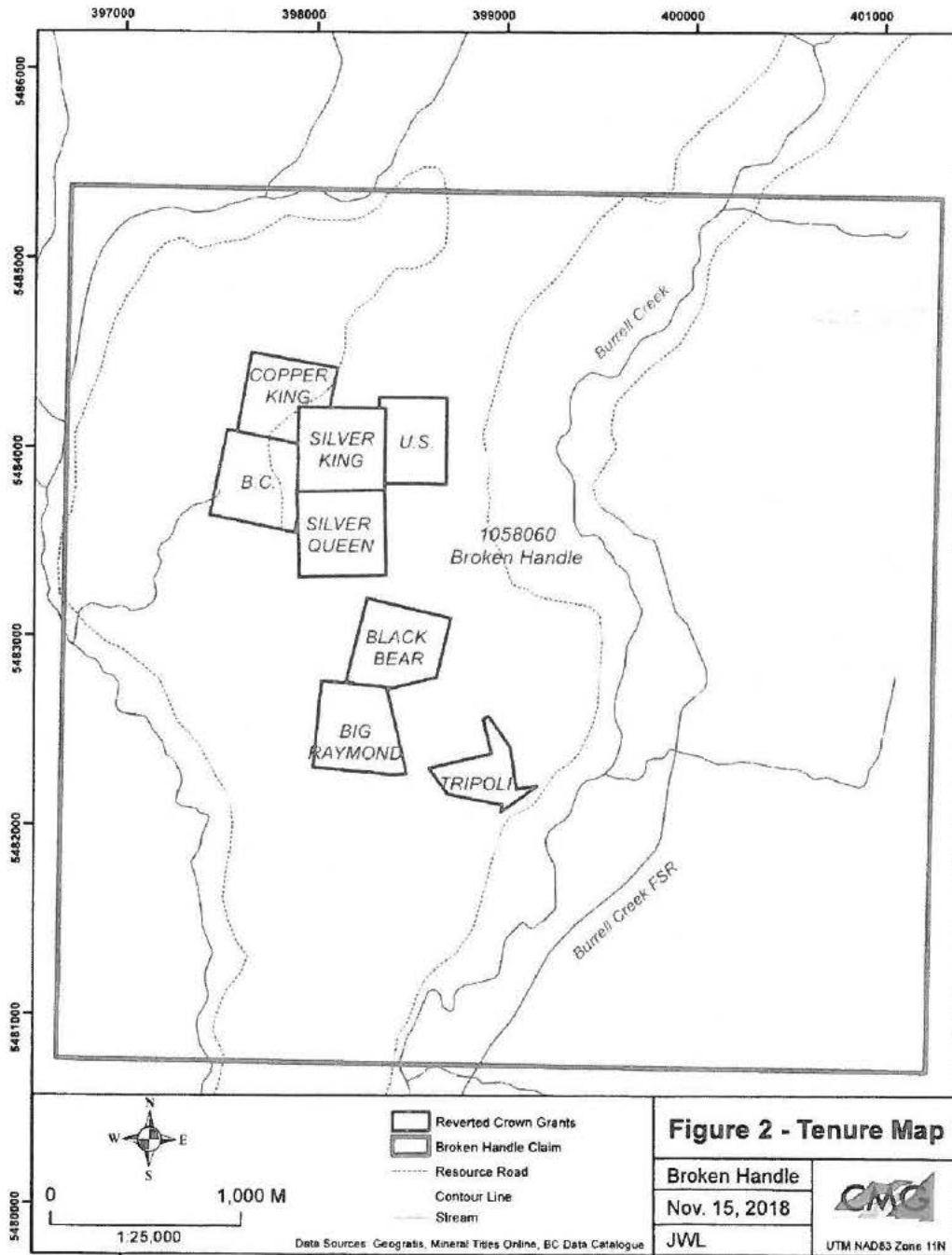


Figure 2 - Tenure Map

Broken Handle

Nov. 15, 2018

JWL



UTM NAD83 Zone 11N

Data Sources: Geogratis, Mineral Titles Online, BC Data Catalogue

SCHEDULE "B"
Net Smelter Royalty

Terms and Conditions of Net Smelter Returns Royalty

1. Upon commencing production of any valuable minerals, industrial minerals, gems or precious stones from the Properties, Purchaser will pay Vendor a royalty on production (the "**NSR Royalty**") equal to 1.5% of Net Smelter Returns as defined below.

The royalty on any aggregate produced from the Properties will be payable in accordance with the minimum established by the regulations thereunder in relation to the Properties which are patented claims and no royalty will be payable in relation to the Properties which are leased lands or unpatented claims.

The term "**Net Smelter Returns**" means the actual proceeds received by Purchaser from any mint, smelter, refinery or other purchaser from the sale of ores, valuable minerals, industrial minerals, gems or precious stones, metals (including bullion) or concentrates (collectively "**Product**") produced from the Properties 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:

- (a) smelting and refining charges (including assaying and sampling costs specifically related to smelting or refining);
- (b) penalties, smelter assay costs and umpire assay costs;
- (c) cost of freight and handling of ores, metals or concentrates from the Properties to any mint, smelter, refinery, or other purchaser;
- (d) marketing costs;
- (e) costs of insurance in respect of Product;
- (f) customs duties, severance tax, royalties, mineral taxes or the like payable in respect of the Product; and
- (g) sales, use, gross receipts, severance, and other taxes, if any, payable with respect to severance, production, removal, sale or disposition of the Product, but excluding any taxes on net income.

2. If smelting or refining are carried out in facilities owned or controlled, in whole or in part, by Purchaser, charges, costs and penalties for such operations means the amount Purchaser would have incurred if those operations were carried out at facilities not owned or controlled by Purchaser then offering comparable services for comparable products on prevailing terms.

3. The NSR Royalty will be:

- (a) calculated and paid on a quarterly basis within 60 days after the end of each quarter of the financial year for the mine (an "**Operating Year**"), based on the Net Smelter Returns for such quarter;

- (b) each payment of NSR Royalty will be accompanied by an unaudited statement indicating the calculation of the NSR Royalty in reasonable detail and the holder (the “**Holder**”) of the NSR Royalty 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 will have 45 days from the time of receipt of the Annual Statement to question its accuracy in writing and, failing such objection, the Annual Statement will be deemed to be correct and unimpeachable;
- (d) if the Annual Statement is questioned by the Holder, and if those questions cannot be resolved between the Purchaser and the Holder, the Holder will have 12 months from the date of receipt of the Annual Statement to have the Annual Statement audited, by its representative, 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 Purchaser from the next payment of NSR Royalty and any underpayment of NSR Royalty will be paid forthwith by the Purchaser;
- (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 Purchaser if the Annual Statement understated the NSR Royalty payable by greater than 1%. If the Purchaser is obligated to pay for the audit, it will forthwith reimburse the Holder for any of the audit costs that it had paid;
- (g) the Holder or his representative will be entitled to examine, on reasonable notice and during normal business hours, all books and records that are reasonably necessary to verify the payment of the NSR Royalty to it from time to time, provided however that such examination must not unreasonably interfere with or hinder the Purchaser’s operations or procedures; and
- (h) if the Purchaser’s interest in the Properties becomes a net smelter returns royalty, the Purchaser’s accounting and reporting obligations to the Holder under this section 3 will be limited to the delivery of the documentation that the Purchaser receives from the operator of the Properties in respect of the payment by such operator of net smelter returns to the Purchaser.

4. The determination of the NSR Royalty is based on the premise that production will be developed solely from the Properties. If the Properties 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 arbitration pursuant to section 5 of this Schedule “B”. The arbitrator will make reference to this Agreement and this Schedule “B” and to practices used in mining operations that are of a similar nature. The arbitrator will be entitled to retain independent mining consultants as he considers necessary. The decision of the arbitrator will be final and binding on the parties.

5. Any matters in these Terms and Conditions which are to be settled by arbitration will be subject to the following:

- (a) any matter required or permitted to be referred to arbitration pursuant to these Terms and Conditions will be determined by a single arbitrator to be appointed by the parties;
- (b) any party may refer any such matter to arbitration by written notice to the other party and, within 10 days after receipt of the notice, the parties will agree on the appointment of an arbitrator. No person will be appointed as an arbitrator unless such person agrees in writing to act;
- (c) if the parties cannot agree on a single arbitrator as provided in subparagraph (b), either party may submit the matter to arbitration (before a single arbitrator) in accordance with the *Commercial Arbitration Act* (British Columbia) (the "**Act**"); and
- (d) except as specifically provided in this paragraph, an arbitration under this Agreement will be conducted in accordance with the Act. The arbitrator will fix a time and place in Vancouver, British Columbia for the purpose of hearing the evidence and representations of the parties and he will preside over the arbitration and determine all questions of procedure not provided for under the Act or this paragraph. After hearing any evidence and representations that the parties may submit, the arbitrator will make an award in writing and deliver one copy of the award to each party. The decision of the arbitrator will be made within 45 days after his appointment, subject to any reasonable delay due to unforeseen circumstances. The expense of the arbitration will be paid as specified in the award. The parties agree that the award of the single arbitrator will be final and binding upon each of them and will not be subject to appeal.

6. The holding of the NSR Royalty will not confer upon the Holder any legal or beneficial interest in the Properties. The right to receive a percentage of Net Smelter Returns as and when due is and will be deemed 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 Purchaser.

7. The Purchaser may, if it is the operator of the Properties, but will not be under any duty to, engage in price protection (hedging) or speculative transactions such as futures contracts and commodity options in its sole discretion covering all or part of production from the Properties and, except in the case where Products are actually delivered and a sale is actually consumed under such price protection or speculative transactions, none of the revenues, costs, profits or losses from such transaction will be taken into account in calculating Net Smelter Returns or any interest therein; provided however, that if the Purchaser delivers Product under a price protection or speculative program where the proceeds derived therefrom are less than those that would have been received had the Product been sold at the spot price in effect at the time of sale, the NSR Royalty payable to the Holder will be based on such spot price.

8. The Holder may convey or assign all or any undivided portion of the NSR Royalty, in full or payable either for a stated term of years or up to a specified dollar amount, provided that such assignment will not be enforceable against the Purchaser until the assignee has delivered to the Purchaser a written and enforceable undertaking to be bound by these Terms and Conditions.

The Purchaser may transfer, sell, assign or otherwise dispose of all or any portion of its interest in the Properties provided that such disposition will not be effective as against the Holder until such purchaser has delivered to the Holder a written and enforceable undertaking agreeing to be bound, to the extent of the interest disposed of, to pay the NSR Royalty in accordance with these Terms and Conditions. In the event of a conveyance or assignment to an arm's length third party who has executed the required undertaking,

the Holder acknowledges and agrees that the Purchaser shall be released from all obligations in respect of that portion of the NSR Royalty conveyed or assigned to such third party.

9. The operator of the Properties, whether or not it is the Purchaser, will be entitled to:
 - (a) make all operational decisions with respect to the methods and extent of mining and processing of Products produced from the Properties;
 - (b) make all decisions relating to sales of such Products produced; and
 - (c) make all decisions concerning temporary or long-term cessation of operations on the Properties.

10. All capitalized terms not defined in this Schedule "B" have the meaning given to them in the Agreement to which these Terms and Conditions form Schedule "B".