

**AMENDED AND RESTATED**  
**OPTION AGREEMENT**

**THIS AMENDED AND RESTATED OPTION AGREEMENT** (the “**Option Agreement**”) is made as of and effective the 1<sup>st</sup> day of April, 2024 (the “**Effective Date**”)

**BETWEEN:**

**NEW FRONTIERS GOLD MINERAÇÃO LTDA**, a company existing under the laws of Brazil and having an office at Rua Fidêncio Ramos, n.º 213, 1st Floor, Vila Olímpia, São Paulo, Brazil 04551-010

(“**New Frontiers**” or the “**Optionor**”)

OF THE FIRST PART

**AND:**

**CANARY GOLD CORP.**, a company incorporated under the laws of British Columbia and having an office at Suite 200, 551 Howe Street, Vancouver, British Columbia, V6C 2C2

(“**Canary Gold**” or the “**Optionee**”)

OF THE SECOND PART

**WHEREAS:**

- A. The Optionor is the legal and beneficial holder of certain properties duly registered in the Brazilian Mining Agency (“**ANM**” or “**Agência Nacional de Mineração**”) located in the State of Rondonia, Federative Republic of Brazil, comprised of (i) five (5) mineral exploration claims totaling approximately 43,612.88 hectares (the “**Border Zone Claims**”), and (ii) three (3) mineral exploration claims totaling approximately 19,298.01 hectares (the “**Outside the Border Zone Claims**”) (Border Zone Claims and Outside the Border Zone Claims collectively referred to as “**Claims**”), which Claims are described in Schedule “A” attached hereto;
- B. By binding letter agreement dated September 19, 2022 (the “**LOI**”) between the Optionor and the Optionee, the Optionor granted the Optionee the sole and exclusive right and option to acquire up to an undivided 70% interest in and to Claims and all rights and benefits thereto owned or controlled by New Frontiers including, but not limited to, surface rights, land use permits, leases, rights of way, water rights and Technical Data (as hereinafter defined), if any and to the extent such rights and benefits are transferable (collectively the “**Assets**”);
- C. The Optionor and Optionee entered into an option agreement (the “**Original Agreement**”) dated March 6, 2023 (the “**Original Effective Date**”) in place and stead of the LOI to

govern the rights and obligations of the Parties with respect to the Claims and the Assets (collectively the “**Properties**”);

- D. The Parties acknowledge that the Border Zone Claims are located within the 150 km buffer zone of the frontiers of the Federative Republic of Brazil, and, as a consequence, the Parties must comply with the Brazilian Mining Code and Federal Law number 6,634/79, regulated by Decree number 85,064/80 and ratified by the 1988 Brazilian Constitution (collectively the “**Brazil Frontiers Zone Law**”);
- E. As of the Effective Date, none of the Outside the Border Zone Claims and the Border Zone Claims have yet been reviewed and approved by the Brazilian Mining Agency (and Brazil’s National Security Council in case of the Border Zone Claims) and, as a consequence, the Parties are unable to access any of the Assets in connection with the Claims;
- F. The Optionee requires additional time to raise funds and to complete its initial public offering (the “**IPO**”); and
- G. Based on the foregoing, the Parties now wish to amend and restate the terms of the Original Agreement and this Agreement amends and restates the Original Agreement in its entirety.

**NOW THEREFORE THIS OPTION AGREEMENT WITNESSES that in consideration of the sum of the Initial Payment (as defined below) now paid by the Optionee to the Optionor (the receipt and sufficiency of which is hereby acknowledged), the Parties agree to amend and restate the Original Agreement as follows:**

## **1. DEFINITIONS**

- 1.1 For the purposes of this Option Agreement the following words and phrases shall have the following meanings, namely:
  - (a) “**Abandoned Claims**” has the meaning ascribed to such term in section 14.1 hereof;
  - (b) “**Abandonment Notice**” has the meaning ascribed to such term in section 14.1 hereof;
  - (c) “**Applicable Law**” means any and all federal, state, provincial, territorial or municipal laws, statutes, regulations, by-laws, ordinances, rules, guidelines, policies, notices, orders and directions, or other requirements of any Governmental Authority having jurisdiction over the Parties or the Properties;
  - (d) “**Applicable Mining Laws**” has the meaning ascribed to such term in section 8.1(c) hereof;
  - (e) “**Assets**” has the meaning ascribed to such term in recital B of this Option Agreement;

- (f) **“Business Day”** means any day of the year, other than a Saturday, Sunday or any day on which Canadian or Brazilian chartered banks are closed for business in Vancouver, British Columbia or in São Paulo, Brazil;
- (g) **“Claims”** has the meaning ascribed to such term in recital A of this Option Agreement including any replacement or successor claims, and all mining leases, licenses and other mining interests derived from any such claims;
- (h) **“Deemed Value”** means:
  - (i) if Canary Gold is a private company, a price per share equal to the last financing completed immediately before the IPO, the Second Anniversary or the Third Anniversary, as the case may be; or
  - (ii) if Canary Gold is a public company, a price per Share equal to the market price/value of Canary Gold’s Shares as determined in accordance with the policies of the stock exchange on which such shares are listed;
- (i) **“Development Program”** has the meaning ascribed to such term in section 2.2(b) hereof;
- (j) **“Dividend”** has the meaning ascribed to such term in section 5.2 hereof;
- (k) **“Encumbrances”** means liens, security interests, royalties, charges, mortgages, pledges, encumbrances, adverse claims or challenges of any nature or kind whatsoever, whether written or oral, or direct or indirect, but does not include rights of way or similar rights granted by Governmental Authority or private surface rights’ owners;
- (l) **“Environmental Laws”** means all Applicable Laws currently in effect relating to pollution or protection of the environment, health, safety or natural resources, including, without limitation, the use, consumption, handling, transportation, storage or Release of Hazardous Substances;
- (m) **“Environmental Order”** means any prosecution, order, decision, notice, direction, report, recommendation or request to take action issued, rendered or made by any Governmental Authority in connection with Environmental Laws or environmental orders;
- (n) **“Exploration Expenditures”** includes all costs, expenses and charges, direct or indirect, of or incidental to every kind of work done on or in respect of the Properties during the Option Period by or under the direction of the Optionee including, but not limited to, work of assessment, geophysical, geochemical and geological surveys, studies and mapping, investigating, drilling, designing, examining, assaying, prospecting, equipping, improving, surveying, searching for, digging, trucking, sampling, trenching, working and procuring minerals, ores and metals, surveying,

reclaiming and all other work usually considered to be prospecting, exploration, development, mining and/or reclamation work including those of a capital nature and all fees, taxes, rentals, payments and other governmental charges required to maintain the Properties in good standing, provided that Exploration Expenditures (i) does not include management, administrative or overhead costs of the Optionee; and (ii) includes all management fees paid (A) to the Optionor pursuant to section 7.1 hereof and (B) to the JV Operator (as defined in Schedule “B”) pursuant to paragraph 8 of Schedule “B”;

- (o) **“First Instalment”** means the first instalment of the Option as defined in subsection 2.2(a);
- (p) **“First Instalment Shares”** has the meaning ascribed to such term in section 2.2(a)(iv)B hereof;
- (q) **“Governmental Authority”** means any government or governmental, administrative, regulatory or judicial body, department, commission, authority, tribunal, agency or entity;
- (r) **“Hazardous Substance”** means any substance, combination of substances or by-product of any substance which is or may become hazardous, toxic, injurious or dangerous to any person, property, air, land, water, flora, fauna or wildlife; and includes but is not limited to contaminants, pollutants, wastes and dangerous, toxic, deleterious or designated substances as defined in or pursuant to any Environmental Laws or Environmental Orders;
- (s) **“Initial Payment”** has the meaning ascribed to such term in section 2.2(a)(i)(A) hereof;
- (t) **“Initial Shares”** has the meaning ascribed to such term in section 2.2(a)(i)(B) hereof;
- (u) **“Instalments”** means collectively the First Instalment and Second Instalment;
- (v) **“IPO”** has the meaning ascribed to such term in recital F of this Option Agreement;
- (w) **“IPO Payment”** has the meaning ascribed to such term in section 2.2(a)(ii)A hereof;
- (x) **“IPO Shares”** has the meaning ascribed to such term in section 2.2(a)(ii)B hereof;
- (y) **“Joint Venture Agreement”** has the meaning ascribed to such term in section 4.1 hereof;

- (z) **“Joint Venture”** has the meaning ascribed to such term in section 4.1 hereof;
- (aa) **“LOI”** has the meaning ascribed to such term in recital B of this Option Agreement;
- (bb) **“NI 43-101”** means National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* of the Canadian Securities Administrators;
- (cc) **“Option Period”** has the meaning ascribed to such term in section 6.1 hereof;
- (dd) **“Option”** has the meaning ascribed to such term in section 2.1 hereof;
- (ee) **“Original Agreement”** has the meaning ascribed to such term in recital C of this Option Agreement;
- (ff) **“Original Effective Date”** has the meaning ascribed to such term in recital C of this Option Agreement;
- (gg) **“Parties”** means, collectively, the Optionor and the Optionee and any other Person who may become a party to this Option Agreement and **“Party”** shall mean any one of them;
- (hh) **“Person”** includes an individual, partnership, limited partnership, limited liability partnership, corporation, limited liability company, unlimited liability company, joint stock company, trust, unincorporated association, joint venture or other entity or Governmental Authority, and pronouns have a similarly extended meaning;
- (ii) **“Properties”** has the meaning ascribed to such term in recital C of this Option Agreement;
- (jj) **“Quotas”** means quotas in the capital of the Optionor as presently constituted;
- (kk) **“Release”** includes abandon, add, deposit, discharge, disperse, dispose, dump, emit, empty, escape, leach, leak, migrate, pour, pump, release or spill;
- (ll) **“Second Anniversary”** means the second anniversary of the Effective Date of this Option Agreement;
- (mm) **“Second Anniversary Payment”** has the meaning ascribed to such term in section 2.2(a)(iii)A hereof;
- (nn) **“Second Anniversary Shares”** has the meaning ascribed to such term in section 2.2(a)(iii)B hereof;

- (oo) “**Second Instalment**” means the second instalment of the Option as defined in subsection 2.2(b);
- (pp) “**Shares**” means common shares in the capital of the Optionee as presently constituted;
- (qq) “**Technical Data**” has the meaning ascribed to such term in section 10.1 hereof;
- (rr) “**Third Anniversary**” means the third anniversary of the Effective Date of this Option Agreement;
- (ss) “**Third Anniversary Payment**” has the meaning ascribed to such term in section 2.2(a)(iv)A hereof; and
- (tt) “**Third Anniversary Shares**” has the meaning ascribed to such term in section 2.2(a)(iv)B hereof.

1.2 In this Option Agreement, other words and phrases that are capitalized have the meanings ascribed in this Option Agreement.

1.3 In this Option Agreement, words importing gender will include all genders, words importing the singular number only will include the plural and vice versa, and any reference to any statute will be deemed to extend to and include any amendment or re-enactment of such statute.

1.4 The division of this Option Agreement into sections, subsections and other subdivisions and the insertion of headings are for convenience of reference only and will not affect or be utilized in the construction or interpretation of this Option Agreement.

1.5 All references in this Option Agreement to dollars, unless otherwise specifically indicated, are expressed in Canadian dollars.

1.6 Any section, subsection or other subdivision of this Option Agreement and any other provision of this Option Agreement which is, or becomes, illegal, invalid or unenforceable will be severed from this Option Agreement and be ineffective to the extent of such illegality, invalidity or unenforceability and will not affect or impair the spirit or intent of the remaining provisions hereof.

1.7 The following schedules are incorporated by reference into this Option Agreement:

- Schedule “A” - Description of Claims
- Schedule “B” - Material Joint Venture Terms

## 2. GRANT OF OPTION

- 2.1 The Optionor hereby irrevocably grants to the Optionee the sole and exclusive right and option to acquire up to an undivided 70% indirect interest in and to the Properties (the “**Option**”) free and clear of all Encumbrances whatsoever and in compliance with the Brazil Frontiers Zone Law.
- 2.2 The Option shall be exercisable by the Optionee in Instalments as follows:
- (a) the Optionee shall be entitled to acquire an initial 49% undivided interest in and to the Properties (the “**First Instalment**”) by:
    - (i) concurrent with the execution of the Original Agreement:
      - A. paying \$25,000 cash to or to the order of the Optionor (the receipt of which is hereby acknowledged by the Optionor) (the “**Initial Payment**”); and
      - B. issuing to the Optionor such number of Shares (the “**Initial Shares**”) having an aggregate fair market value equal to \$50,000 at an issue price per First Instalment Share of \$.10 (the receipt of which is hereby acknowledged by the Optionor); and
    - (ii) in connection with the Optionee’s IPO:
      - A. paying \$125,000 to New Frontiers (the “**IPO Payment**”) no later than 10 Business Days following completion of the IPO; and
      - B. issuing Shares (the “**IPO Shares**”) to New Frontiers at the Deemed Value per IPO Share for an aggregate Deemed Value of \$100,000 no later than 10 Business Days following completion of the IPO;
    - (iii) on or before the Second Anniversary:
      - A. paying \$200,000 to New Frontiers (the “**Second Anniversary Payment**”);
      - B. issuing Shares (the “**Second Anniversary Shares**”) to New Frontiers at the Deemed Value per Second Anniversary Share for an aggregate Deemed Value of \$200,000; and
      - C. incurring \$2,500,000 in Exploration Expenditures;
    - (iv) on or before the Third Anniversary:

- A. paying \$500,000 to New Frontiers (the “**Third Anniversary Payment**” and, together with the Initial Payment, the IPO Payment and the Second Anniversary Payment, the “**First Instalment Payments**”);
  - B. issuing Shares (the “**Third Anniversary Shares**” and, together with the Initial Shares, IPO Shares and Second Anniversary Shares, the “**First Instalment Shares**”) to New Frontiers at the Deemed Value per Third Anniversary Share for an aggregate Deemed Value of \$500,000;
  - C. incurring \$2,500,000 in Exploration Expenditures; and
  - D. providing a technical report prepared in accordance with NI 43-101 that includes a mineral resource estimate in respect of the Properties to New Frontiers;
- (b) provided that the Optionee has paid the First Instalment Payments, incurred \$5,000,000 in Exploration Expenditures on the Properties, exercised the First Instalment and acquired an initial 49% direct undivided interest in and to the Properties pursuant to subsection 2.2(a) above, the Optionee shall be entitled to acquire an additional 21% indirect undivided interest (70% interest in total) in and to the Properties (the “**Second Instalment**”) by funding (or reimbursing New Frontiers) 100% of the costs associated with a development program required for delivery of a “preliminary economic assessment” (as such term is defined in NI 43-101) in respect of the Properties (the “**Development Program**”) within two years of completing the First Instalment. For compliance purposes with the Brazil Frontiers Zone Law, the Optionee acknowledges that it will be limited to a 49% direct equity participation in New Frontiers, however, it will be entitled to a 70% indirect equity participation under a separate agreement. Alternatively, the Parties may agree to a contractual structure whereby (i) Optionee will be capped at a 49% direct equity participation (representing a 70% indirect equity participation under a separate agreement) in the Border Zone Claims, and (ii) a 70% direct equity participation in the Outside the Border Zone Claims. The definitive contractual structure will be defined in meetings between New Frontiers and ANM, which result will be subject to the final approval of Brazil’s National Defense Council as far as the Border Zone Claims are concerned.

2.3 In the event that the Optionee spends less than the specified Exploration Expenditures in any year of the Option, the Optionee may pay to the Optionor the difference between the amount it actually spent and the specified sum within 30 days following the expiry of such year in full satisfaction of the Exploration Expenditures to be incurred in such year. On the other hand, if the Optionee spends more than the required Exploration Expenditures in any year of the Option, the



excess shall be carried forward and applied to the Exploration Expenditures to be incurred in the following years.

- 2.4 The Optionee may, in its sole discretion, accelerate the exercise of First Instalment and/or the Second Instalment of the Option by issuing the applicable First Instalment Shares and incurring the requisite Exploration Expenditures set out in subsections 2.2(a)(ii)C, 2.2(a)(iii)C and 2.2(a)(iv)C, respectively, prior to the respective due dates thereof.
- 2.5 Upon completion of the First Instalment and any time thereafter, Canary Gold will have the right to assign this Option Agreement and its interest in the Properties, or any portion thereof, including all rights and obligations to an appropriately structured, third party with the consent of New Frontiers, such consent not to be unreasonably withheld.
- 2.6 This Option Agreement represents the granting of an option only, and except as herein specifically provided otherwise, nothing herein contained shall be construed as obligating the Optionee, to do any acts or make, issue or fund any payments, Shares or expenditures hereunder, and any act or acts, payment or payments or issuance or issuances as shall be made hereunder shall not be construed as an obligation of the Optionee to do or perform any further work or make any further payments or issuances. For greater certainty, the Optionee may terminate the Option at any time.

### **3. EXERCISE OF OPTION**

- 3.1 If the Optionee exercises the First Instalment of the Option by paying the First Instalment Payments and issuing the First Instalment Shares to the Optionor and incurring \$5,000,000 in Exploration Expenditures on the Properties as set out in subsection 2.2(a), a 49% direct undivided right, title and interest in and to the Properties shall automatically vest in the Optionee free and clear of all Encumbrances and the Optionor shall forthwith following the exercise of the First Instalment execute and deliver to the Optionee such transfers, instruments, assignments and other documents, in registrable form (i.e. Amendment to the Bylaws of New Frontiers), as shall be effective to transfer and convey such interest in and to the Properties to the Optionee, which the Optionee shall be entitled to register with all applicable government or regulatory offices. For the sake of clarity, Optionee acknowledges that it will be required to comply with Applicable Laws regarding foreign investments in Brazil which includes, among other things, certain filings of Canary Gold's corporate documents with Brazil's Central Bank and Internal Revenue Service, the local Board of Trade, as well as the appointment of an attorney-in-fact domiciled in Brazil to represent Canary Gold in Brazil.
- 3.2 If the Optionee exercises the Second Instalment by funding (or reimbursing New Frontiers) 100% of the costs associated with a Development Program as set out in subsection 2.2(b), an additional 21% (70% in total) indirect undivided right, title and interest in and to the Properties shall automatically vest in the Optionee free

and clear of all Encumbrances and the Optionor shall forthwith following the exercise of the First Instalment execute and deliver to the Optionee such transfers, instruments, assignments and other documents, in registrable form (subject to the Brazil Frontiers Zone Law, as shall be effective to transfer and convey such interest in and to the Properties to the Optionee, which the Optionee shall be entitled to register with all applicable government or regulatory offices (subject to the Brazil New Frontiers Law).

#### **4. JOINT VENTURE**

4.1 Once the First Instalment is exercised pursuant to subsection 2.2(a), a joint venture in which the Optionor shall have an initial 51% interest and the Optionee an initial 49% interest (the “**Joint Venture**”) for the further exploration, development and mining of the Properties will thereafter be immediately constituted and the Parties shall forthwith (i) amend the Bylaws of New Frontiers and (ii) negotiate in good faith and execute a customary form of joint venture agreement (the “**Joint Venture Agreement**”) governing the terms and conditions of the Joint Venture which shall supersede the terms and conditions of the Bylaws of New Frontiers and include the material terms and conditions set out in Schedule “B” attached hereto.

4.2 Upon Canary Gold exercising the Second Instalment pursuant to Section 2.2(b), the interest of each Party shall be amended as follows:

(a) Canary Gold – 70%; and

(b) New Frontiers – 30%;

provided, however, that the provisions of Section 2.2(b) above concerning the Brazil Border Zone Law shall apply.

4.3 New Frontiers shall each defend, protect, indemnify, and save Mr. Sami Arap Sobrinho (the “**Brazilian Direct Controlling Shareholder**”) harmless from and against any and all liability, claims, costs, expenses, demands, suits and causes of action of every kind and character in any way incident to or in connection with or arising out of (a) his role in compliance with the Brazil Frontiers Law, (b) senior management services performed hereunder, (c) this Agreement, and (d) any and all taxes, fees, levies, assessments imposed by any Brazilian or North American Governmental Authority.

4.4 New Frontiers will maintain a directors’ and officers’ liability insurance policy covering the Brazilian Direct Controlling Shareholder that provides coverage that is reasonable and sufficient in relation to his position at New Frontiers during the term of the Joint Venture.

#### **5. FIRST INSTALMENT SHARES**

(a) The Optionor acknowledges and agrees that the issuances of the First Instalment Shares contemplated in subsections 2.2(a)(i)B, 2.2(a)(ii)B, 2.2(a)(iii)B and

2.2(a)(iv)B, respectively, will be subject to an indefinite hold period from the respective dates of issue under applicable securities laws in Canada; and the certificates representing such First Instalment Shares may bear the following legend:

“Unless permitted under securities legislation, the holder of this security must not trade the security before the date that is four months and a day after the later of (i) [insert distribution date], and (ii) the date the issuer became a reporting issuer in any province or territory”.

- 5.2 If between the Original Effective Date and the issuance of the First Instalment Shares, the Optionee issues or declares a record date for a cash or share dividend, or through a plan of arrangement or otherwise issues or declares a record date for issuance of shares in its capital or in the capital of another corporation to its shareholders (the “**Dividend**”), upon issuance of the First Instalment Shares, the Optionee shall also issue the Dividend to the Optionor as if the Optionor were a shareholder of the Optionee as at the record date set for the Dividend, holding the number of Optionee shares as equals the First Instalment Shares.
- 5.3 The Optionor further acknowledges and agrees that:
- (a) no securities commission or similar regulatory authority has reviewed or passed on the merits of the First Instalment Shares;
  - (b) there is no government or other insurance covering the First Instalment Shares;
  - (c) there are risks associated with the acquisition of the First Instalment Shares;
  - (d) there are restrictions on the Optionor’s ability to resell the First Instalment Shares and it is the responsibility of the Optionor to ascertain what those restrictions are and to comply with such restrictions before selling the First Instalment Shares;
  - (e) the Optionee has advised the Optionor that it is relying on an exemption from the requirements of applicable securities legislation in Canada to provide the Optionor with a prospectus and as a consequence of acquiring the First Instalment Shares pursuant to this exemption, certain protections, rights and remedies provided by such legislation, including statutory rights of rescission or damages in Canada, will not be available to the Optionor;
  - (f) the decision to accept the First Instalment Shares hereunder has not been based upon any oral or written representation as to fact or otherwise (except as expressly set out herein) made by or on behalf of the Optionee;
  - (g) the Optionor is solely responsible for its own due diligence investigation of the Optionee and its business and for its own analysis of the merits and risks of its investment in the First Instalment Shares, has had the opportunity to

obtain independent legal, income tax and investment advice with respect to the First Instalment Shares and is able to bear the economic risk of loss of its entire investment;

- (h) the First Instalment Shares have not been registered under the United States *Securities Act of 1933*, as amended (the “**1933 Act**”) or the securities or “blue sky” laws of any state in the United States and may not be offered or sold in the United States or to a U.S. Person (as such term is defined in Rule 902(o) of Regulation S promulgated under the *1933 Act*, and includes (i) any natural person resident in the United States and (ii) any partnership or corporation organized or incorporated under the laws of the United States, among other persons specified in such Rule) unless registered under the 1933 Act and the securities laws of all applicable states of the United States or an exemption from such registration requirements is available, and the Optionee has no obligation or present intention of filing a registration statement under the 1933 Act in respect of the First Instalment Shares;
- (i) there may be material tax consequences to the Optionor resulting from the acquisition or disposition of the First Instalment Shares and that the Optionee gives no opinion and makes no representation with respect to the tax consequences to the Optionor under Canadian federal, provincial, territorial, local or foreign tax law of the Optionor’s acquisition or disposition of the First Instalment Shares;
- (j) the constating documents of the Optionee contain no pre-emptive rights for the shareholders of the Optionee pursuant to which the shareholders must be offered the right to acquire shares of the Optionee in any future offering of shares of any class before such shares can be offered to others; and
- (k) neither the Optionee nor any other Person has made any written or oral representations to the Optionor:
  - (i) that any Person will resell or repurchase the First Instalment Shares;
  - (ii) that any Person will refund the consideration for the First Instalment Shares;
  - (iii) as to the future price or value of the First Instalment Shares; or
  - (iv) that the First Instalment Shares will be listed and posted for trading on a stock exchange or that application has been made to list and post the Optionee’s shares for trading on any stock exchange.

## 6. **RIGHT OF ENTRY**

- 6.1 Throughout the term of the Option (the “**Option Period**”), the Optionee and its directors, officers, employees, servants, agents and independent contractors, shall, subject to Applicable Law, have the unfettered right in respect of the Properties to:

- (a) enter thereon;
  - (b) have quiet possession thereof;
  - (c) do such prospecting, exploration, development and other mining work thereon and thereunder as the Optionee in its sole discretion may determine advisable;
  - (d) bring upon and erect upon the Property such buildings, plant, machinery and equipment as the Optionee may deem advisable; and
  - (e) remove therefrom and dispose of reasonable quantities of ores, minerals and metals for the purposes of obtaining assays or making other tests.
- 6.2 During the Option Period, provided that the Claims have been published by ANM in the Federal Official Gazette and New Frontiers has secured access rights with the surface rights' owners, the Optionee shall permit the Optionor and its agents and representatives at their own risk and expense, reasonable access to the Properties and to all information obtained, results produced, samples, core and data collected and records, maps, sections and reports prepared by or on behalf of the Optionee in connection with any work done on or with respect to the Properties, provided that reasonable notice is given and that such access shall not unduly interfere with or disrupt the activities of the Optionee.
- 6.3 Nothing contained in this Option Agreement shall be construed as creating a partnership of any kind or as imposing on any party any partnership duty, obligation or liability to any other party.

## **7. OBLIGATIONS OF THE OPTIONEE DURING OPTION PERIOD**

- 7.1 During the Option Period, the Optionee may engage the Optionor to operate the exploration programs that are approved by the Optionee, and the Optionor shall be entitled to receive a management fee equal to 15% of the Exploration Expenditures of such exploration programs in consideration for its efforts and services as operator of such exploration programs.
- 7.2 During the Option Period, the Optionee shall:
- (a) maintain the Claims comprising the Properties in good standing 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 Encumbrances arising from the Optionee's activities thereon except those at the time contested in good faith by the Optionee;
  - (b) record, at its discretion, such assessment work against the Properties as may be required from time to time to maintain the Properties in good standing;

- (c) do all work on the Properties in a competent and workmanlike fashion and in accordance with Applicable Law;
- (d) indemnify and save the Optionor harmless from any and all costs, claims, liabilities and expenses arising out of the Optionee's activities on the Properties, but the Optionee shall incur no obligation hereunder in respect of claims arising or damages suffered after termination of this Option Agreement if upon termination of this Option Agreement any workings on or improvements to the Properties made by the Optionee are left in a safe condition according to Applicable Law; and
- (e) deliver to the Optionor, upon request and subject to section 16.1, 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 Properties.

## 8. **REPRESENTATIONS, WARRANTIES AND COVENANTS OF THE OPTIONOR**

8.1 The Optionor hereby represents and warrants to the Optionee that:

- (a) Schedule "A" to this Option Agreement sets out a true, accurate and complete description of the Claims comprising the Properties and all such Claims are in full force and effect and in good standing as of the date hereof, pending publication of ANM's acknowledgement in the Federal Official Gazette;
- (b) the Optionor is the legal and beneficial holder of the Properties free and clear of all Encumbrances of whatsoever nature or kind and to the best of its information, knowledge and belief, after due inquiry, there is no adverse claim or challenge against or to the title to any part of the Properties, and no party, other than the Optionor has any right, title, claim or other interest in the Properties or any of the Claims comprised therein;
- (c) to the best of its information, knowledge and belief, after due inquiry, the Claims comprising the Properties have been validly located, tagged, staked, filed and recorded in compliance with Brazil's Mining Code and ANM regulations and all applicable federal, territorial and local laws and regulations (collectively "**Applicable Mining Laws**") as they relate to the location and recording of such mineral claims and are valid and subsisting mineral claims in good standing as of the date hereof, pending publication of ANM's acknowledgement in the Federal Official Gazette;
- (d) the Optionor has paid all taxes, fees, levies, assessments, rentals and other monies and performed all acts and things required to be paid and done under Applicable Mining Laws to maintain the Claims comprising the Properties in Schedule "A";
- (e) no activities and operations have been carried out on the Properties to date by the Optionor because none of the Claims have been published by ANM

in the Federal Official Gazette and New Frontiers has not yet secured access rights with the surface rights' owners;

- (f) the Optionor has not entered into any arrangement or agreement and has not made any commitment in respect of the Properties or any part thereof and the Optionor is not subject to, nor a party to, any agreement, contract, order, judgment or decree, or any other restriction of any kind or character, which materially adversely affects the Properties or which would prevent the consummation of the transactions contemplated by this Option Agreement;
- (g) there is no litigation, proceeding or investigation pending or threatened, against or involving the Optionor or affecting the Properties before or by any court or Governmental Authority, which, if adversely determined, would prohibit or frustrate the transactions and covenants contemplated in this Option Agreement;
- (h) the granting of the Option by the Optionor to the Optionee does not and will not constitute a sale, lease or exchange of all or substantially all of the undertaking of the Optionor;
- (i) the Optionor is duly incorporated, validly subsisting and in good standing under the laws of its jurisdiction of incorporation and has full corporate power, capacity and authority to enter into and perform its obligations under this Option Agreement and any agreement or instrument referred to or contemplated by this Option Agreement;
- (j) the entering into this Option Agreement and the performance by the Optionor of its obligations hereunder have been duly authorized by all necessary corporate action and this Option Agreement constitutes a legal, valid and binding obligation of the Optionor enforceable against it in accordance with its terms and conditions;
- (k) neither the execution and delivery of this Option Agreement, nor the performance of the transactions contemplated hereunder, conflict with, result in the breach of or accelerate the performance required by any agreement to which the Optionor is a party or bound and the Optionor has full right, power and authority to sell, assign and transfer all of its rights, title and interest in and to the Properties to the Optionee as contemplated herein without the prior consent or approval of any third party;
- (l) no proceedings are pending for, and it 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; and
- (m) the Optionor is not aware of any material facts or circumstances which have not been disclosed in this Option Agreement and which should be disclosed

to the Optionee in order to prevent the representations and warranties set forth herein from being materially misleading.

- 8.2 The representations and warranties contained in section 8.1 are provided for the exclusive benefit of the Optionee, and a breach of any one or more thereof may be waived by the Optionee 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 8.1 shall survive the execution of this Option Agreement and of any transfers, assignments, deeds or further documents respecting the Property for a period of two years.

## **9. REPRESENTATIONS AND WARRANTIES OF THE OPTIONEE**

- 9.1 The Optionee represents and warrants to the Optionor that:
- (a) it is duly incorporated, validly subsisting and in good standing under the laws of its jurisdiction of incorporation and has full corporate power, capacity and authority to enter into and perform its obligations under this Option Agreement and any agreement or instrument referred to or contemplated by this Option Agreement;
  - (b) the entering into this Option Agreement and the performance by the Optionee of its obligations hereunder have been duly authorized by all necessary corporate action and this Option Agreement constitutes a legal, valid and binding obligation of the Optionee enforceable against it in accordance with its terms and conditions;
  - (c) neither the execution and delivery of this Option Agreement, nor the performance of the transactions contemplated hereunder, conflict with, result in the breach of or accelerate the performance required by any agreement to which the Optionee is a party or bound;
  - (d) as of the Effective Date, the authorized capital of the Optionee consists of an unlimited number of common shares without par value, of which 30,288,502 common shares are issued and outstanding as fully paid and non-assessable;
  - (e) the Optionee will reserve or set aside sufficient shares in its treasury to issue the First Instalment Shares, as applicable, to the Optionor and, upon issuance, such Shares will be duly and validly issued as fully paid and non-assessable; and
  - (f) 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.



- 9.2 The representations and warranties contained in section 9.1 are provided for the exclusive benefit of the Optionor and a breach of any one or more thereof may be waived by the Optionor 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 9.1 shall survive the execution hereof for a period of two years.

## 10. ACCESS TO INFORMATION

- 10.1 Forthwith following the Original Effective Date, the Optionor shall provide the Optionee with full access to and/or copies of all reports, maps, samples, assay results, drill logs, drill core, data and other technical or scientific information and documents in its possession or under its control with respect to the Properties (collectively the “**Technical Data**”).
- 10.2 The Optionee shall treat the Technical Data as confidential and will not disclose same to any Person other than its directors, officers, employees, agents, professional advisors and, if applicable, regulatory authorities having jurisdiction, on a “need to know basis” and if the Optionee determines not to proceed with the Option or the Option is otherwise terminated pursuant to Section 11 below prior to the exercise of the First Instalment, the Optionee shall promptly destroy or return to the Optionor the Technical Data (including any copies and reproductions thereof). For greater certainty, the confidentiality obligations of the Optionee contained in this section 10.2 shall not apply to Technical Data that:
- (a) is in the public domain, other than by reason of a breach of this Option Agreement;
  - (b) was lawfully known to the Optionee prior to its disclosure pursuant to this Option Agreement;
  - (c) was subsequently acquired by the Optionee from a third party legally entitled to possess and disclose the Technical Data; and
  - (d) is required to be disclosed in the ordinary course of events by law or by any competent authority having jurisdiction over the Optionee including, but not limited to, any stock exchange on which the Shares of the Optionee are listed for trading from time to time, in which case such disclosure is only permitted to the extent necessary to comply with legal and regulatory obligations.
- 10.3 The confidentiality obligations of the Optionee set out in section 10.2 shall survive termination of the Option for a period of two (2) years.

## 11. TERMINATION OF OPTION

- 11.1 The Optionee may terminate the Option at any time upon giving notice of such termination to the Optionor.

- 11.2 If the Optionee fails to incur or make any expenditure or payment or issuance of Shares which must be incurred or made or issued in order to exercise the Option or any Instalment thereof, as the case may be, on the due date thereof, the Optionor may terminate the Option with respect to any Instalments which have not previously been exercised by the Optionee, but only if:
- (a) it shall have first given to the Optionee a written notice of default containing particulars of the expenditures, payment or issuance which the Optionee has not made or the obligation which the Optionee has not performed; and
  - (b) the Optionee has not within 30 days following delivery of such notice of default cured such default.
- 11.3 Upon termination of the Option under this Section 11:
- (a) if the Optionee has previously exercised the First Instalment or the Second Instalment, as the case may be, the Optionor and the Optionee shall forthwith negotiate and enter into the Joint Venture Agreement in accordance with the provisions of section 4.1 hereof; or
  - (b) if the Optionee has not previously exercised the First Instalment, the Optionee shall:
    - (i) deliver to the Optionor, within 30 days of the effective date of termination, copies of all factual maps, reports, assay results and other factual data and documentation in its possession relating to its operations on the Properties;
    - (ii) deliver to the Optionor transfers of the Claims or quit claims as requested by Optionor;
    - (iii) vacate the Properties within a reasonable period of time after such termination, provided that the Optionee shall have the right, within a period of 180 days following such termination, to remove from the Properties all buildings, plant, equipment, machinery, tools, appliances and supplies which have been brought upon the Properties 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; and
    - (iv) ensure that the Claims are valid and in good standing for a period of not less than 180 days after termination.

## **12. INDEPENDENT ACTIVITIES AND BUSINESS CONDUCT**

- 12.1 Except as expressly provided herein, each Party shall have the free and unrestricted right to independently engage in and receive the full benefit of any and all business endeavours of any sort whatsoever, whether or not competitive with the endeavours

contemplated herein without consulting the other or inviting or allowing the other to participate therein. No party shall be under any fiduciary or other duty to the other which will prevent it from engaging in or enjoying the benefits of competing endeavours within the scope of the endeavours contemplated herein.

- 12.2 In the conduct of the activities contemplated under this Option Agreement, each Party agrees to comply fully with the letter and spirit of all Applicable Laws of Brazil, the US and Canada and any other jurisdiction in which any such activities are performed, and to conduct itself in keeping with the highest ethical standards.

### 13. **TRANSFERS**

- 13.1 Subject to the consent of the Optionor, which consent shall not be unreasonably withheld or delayed, the Optionee may at any time during the Option Period or thereafter, sell, transfer or otherwise dispose of all or any portion of its interest in and to the Properties and this Option Agreement provided that any purchaser, grantee or transferee of any such interest shall have first delivered to the Optionor its agreement relating to this Option Agreement and to the Properties containing:
- (a) a covenant to perform all the obligations of the Optionee to be performed under this Option Agreement in respect of the interest to be acquired by it from the Optionee to the same extent as if this Option Agreement had been originally executed by such purchaser, grantee or transferee; and
  - (b) a provision subjecting any further sale, transfer or other disposition of such interest in the Properties and this Option Agreement or any portion thereof to the restrictions contained in this section 13.1.
- 13.2 For clarity, it shall not be unreasonable for Optionor to refuse consent where the Shares to be issued on any Instalment are not or are not expected to be in future, in Optionor's sole discretion, acting reasonably, as valuable or as liquid as the First Instalment Shares that would have been issued by the Optionee.
- 13.3 No assignment or transfer by the Optionee of any interest less than its entire interest in this Option Agreement and in the Properties shall, as between the Optionee and the Optionor, discharge it from any of its obligations hereunder, but upon the transfer by the Optionee of the entire interest at the time held by it in this Option Agreement, whether to one or more transferees and whether in one or in a number of successive transfers, the Optionee shall be deemed to be discharged from all obligations hereunder save and except for the fulfillment of contractual commitments accrued due prior to the date on which the Optionee shall have no further interest in this Option Agreement.

### 14. **SURRENDER OF PROPERTY INTERESTS PRIOR TO TERMINATION OF THE OPTION AGREEMENT**

- 14.1 The Optionee may at any time during the Option Period elect to surrender or abandon any one or more of the Claims (the "**Abandoned Claims**") comprised in

the Properties by giving not less than 10 days' notice to the Optionor of such intention (the "**Abandonment Notice**"), provided that such Abandoned Claims shall be in good standing with respect to the filing of claim maintenance fees for a period of at least three months from the date of the Abandonment Notice. If, at the time of giving of the Abandonment Notice to the Optionor, the Abandoned Claims are not in good standing with respect to the filing of claim maintenance fees for a period of at least three months from the date of the Abandonment Notice, the Optionee shall, concurrent with the giving of the Abandonment Notice, pay to the Optionors in cash an amount equal to three months' claim maintenance fees for the Abandoned Claims, less the amount of such fees already paid in respect of the Abandoned Claims as of the date of the Abandonment Notice. Upon any such abandonment, the Abandoned Claims shall for all purposes of this Option Agreement cease to form part of the Properties. For greater certainty, nothing contained in this section 14.1 shall in any way limit or restrict the ability of the Optionee to terminate, in its sole discretion, the Option at any time upon giving notice of such termination to the Optionor in accordance with section 11.1 hereof.

## **15. FORCE MAJEURE**

- 15.1 If any of the Parties is at any time during the Option Period or thereafter prevented or delayed in complying with any provisions of this Option Agreement by reason of strikes, lock-outs, labor shortages, power shortages, fuel shortages, pandemics, fires, wars, acts of God, governmental regulations restricting normal operations, shipping delays or any other reason or reasons, other than lack of funds, beyond the control of the affected Party, the time limited for the performance by the affected Party of its obligations hereunder shall be extended by a period of time equal in length to the period of each such prevention or delay, but nothing herein shall discharge the affected Party from its obligations hereunder to maintain the Properties in good standing.
- 15.2 The affected Party shall give prompt notice to the other Party of each event of force majeure and upon cessation of such event shall furnish to the other Party notice to that effect together with particulars of the number of days by which the obligations of the affected Party hereunder have been extended by virtue of such event of force majeure and all preceding events of force majeure.

## **16. CONFIDENTIAL INFORMATION**

- 16.1 Except as otherwise provided in this section, both parties shall treat all data, results, reports, records and other information relating to this Option Agreement and the Properties as confidential. The text of any news release or other public statements, other than those required by law or regulatory bodies or stock exchanges, which a party desires to make shall be sent to the other party for its comments prior to publication and shall not include references to the other party unless such party has given its prior consent to such inclusion, such consent not to be unreasonably withheld or delayed. The text of any disclosure which a party is required to make by law, by regulatory bodies or stock exchanges shall be sent to the other party at

least 24 hours prior to its release or filing in order that the other party may have the opportunity to comment thereon. For all public disclosure, whether required to be made or not, any reasonable changes requested by the non-disclosing party shall be incorporated into the disclosure document.

## **17. ARBITRATION**

- 17.1 All questions or matters in dispute under this Option Agreement shall be submitted to arbitration pursuant to the terms hereof.
- 17.2 It shall be a condition precedent to the right of any Party to submit any matter to arbitration pursuant to the provisions hereof, that such Party intending to refer any matter to arbitration shall have given not less than 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 10 days, the Party who gave such notice may proceed to refer the dispute to arbitration as provided in section 17.3.
- 17.3 All disputes arising out of or in connection with this Option Agreement, or in respect of any legal relationship associated therewith or derived therefrom, shall be referred to and finally resolved by arbitration administered by the Vancouver International Arbitration Centre (VanIAC) pursuant to its applicable rules. The place of arbitration shall be Vancouver, British Columbia, Canada.

## **18. NOTICES**

- 18.1 Any notice, request, demand, direction or other communication given regarding the matters contemplated by this Agreement including an Abandonment Notice (each a "Notice") must be in writing, sent by personal delivery, courier, registered mail or email and addressed to the parties at their respective addresses set out above and will be deemed to be given and received (i) if sent by personal delivery or courier, on the date of delivery if it is a Business Day and the delivery was made prior to 4:00 p.m. (local time in place of receipt) and otherwise on the next Business Day, (ii) if sent by registered mail, on the third business day following the posting thereof, or (iii) if sent by email, on the Business Day following the date the recipient thereof acknowledges receipt of such email. A party may change its address for service from time to time by providing a Notice to the other party in accordance with the foregoing.

## **19. GENERAL**

- 19.1 This Option Agreement shall supersede and replace any other agreement or arrangement, whether oral or written, heretofore existing between the Parties in respect of the subject matter of this Option Agreement including, but not limited to, the LOI and the Original Agreement.
- 19.2 No consent or waiver expressed or implied by either Party in respect of any breach or default by the other in the performance by such other of its obligations hereunder

shall be deemed or construed to be consent to or a waiver of any other breach or default.

- 19.3 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 Option Agreement or to record wherever appropriate the respective interest from time to time of the Parties in the Properties.
- 19.4 Except as otherwise expressly provided for herein, neither Party shall assign its rights or obligations under this Option Agreement without the prior written consent of the other Party, which consent shall not be unreasonably withheld or delayed.
- 19.5 This Option Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns.
- 19.6 This Option Agreement shall be construed in accordance with and governed by the laws of the Province of British Columbia and the federal laws of Canada applicable therein.
- 19.7 This Option Agreement may be executed by the Parties in counterpart and delivered by facsimile signature or scanned email attachment, each of which so signed shall be deemed to be an original, and such counterparts together shall constitute one and the same agreement and notwithstanding the date of execution shall be deemed to bear the date as set forth above.

**IN WITNESS WHEREOF** the Parties hereto have executed this Option Agreement as of the day and year first above written.

**NEW FRONTIERS GOLD MINERAÇÃO LTDA**

Per: (s) "Sami Arap Sobrinho"  
Authorized Signatory

**CANARY GOLD CORP.**

Per: (s) "Andrew Lee Smith"  
Authorized Signatory

## SCHEDULE "A"

### DESCRIPTION OF CLAIMS

ANM Process n.	Title Holder	AREA Ha	Phase	Status
<b>CLAIMS OUTSIDE OF THE BORDER ZONE</b>				
886.009/2023	New Frontiers Gold Mineração Ltda	4.133,33	Exploration Permit Application	Application
886.010/2023	New Frontiers Gold Mineração Ltda	9.023,45	Exploration Permit Application	Application
886.012/2023	New Frontiers Gold Mineração Ltda	6.141,23	Exploration Permit Application	Application
		<b>19.298,01</b>		
<b>CLAIMS WITHIN THE BORDER ZONE</b>				
886.196/2017	New Frontiers Gold Mineração Ltda	9.992,30	Exploration Permit Application	Temporary Blocking due to interference with power Lines
886.197/2017	New Frontiers Gold Mineração Ltda	8.828,03	Exploration Permit Application	Application
886.198/2017	New Frontiers Gold Mineração Ltda	9.441,94	Exploration Permit Application	Temporary Blocking due to interference with power Lines
886.199/2017	New Frontiers Gold Mineração Ltda	7.796,61	Exploration Permit Application	Temporary Blocking due to interference with power Lines
886.011/2023	New Frontiers Gold Mineração Ltda	7.554,00	Exploration Permit Application	Application
		<b>43.612,88</b>		
<b>TOTAL</b>		<b>62.910,89</b>		

**SCHEDULE “B”**  
**MATERIAL JOINT VENTURE TERMS**

1. Unless otherwise defined herein, capitalized words and phrases in this Schedule “B” shall have the meanings ascribed to such words and phrases in the Option Agreement to which this Schedule “B” is attached.
2. Upon the formation of a Joint Venture pursuant to section 4.1 of the Option Agreement, the initial interests of Canary Gold and New Frontiers shall be as follows:
  - (a) in the case of a Joint Venture formed upon exercise of the First Instalment pursuant subsection 2.2(a) of the Option Agreement:
    - (i) Canary Gold - 49%;
    - (ii) New Frontiers - 51%; or
  - (b) in the case of a Joint Venture formed upon exercise of the Second Instalment pursuant to subsection 2.2(b) of the Option Agreement:
    - (i) Canary Gold - 70%;
    - (ii) New Frontiers - 30%;

provided, however, that the provisions of Section 2.2(b) of the Option Agreement concerning the Brazil Border Zone Law shall apply.
3. Subject to paragraph 15 below, in the event Canary Gold does not exercise the Option to acquire the Second Instalment pursuant to subsection 2.2(b) of the Option Agreement, Canary Gold shall be responsible for funding 100% of the first \$1,000,000 in Joint Venture expenditures pursuant to one or more approved Exploration Programs (as defined below), such that New Frontiers’ interest is a carried interest respecting such amount. Thereafter, each Party will contribute its proportionate share to the Joint Venture.
4. For the purposes of the Joint Venture and dilution thereunder, upon formation of the Joint Venture and at any date that dilution is to be calculated, each Party will be deemed to have incurred Exploration Expenditures as follows:
  - (a) Canary Gold - the amount actually expended by Canary Gold in Exploration Expenditures to acquire the First Instalment and the Second Instalment if applicable (the “**Canary Gold Actual EE**”), and the excess shall be carried forward and applied to the Exploration Expenditures to be incurred in the following years; and
  - (b) New Frontiers - its Joint Venture interest (i.e. 51% or 30%) multiplied by Canary Gold Actual EE as at the date Canary Gold last exercised and closed on its Option pursuant to subsections 2.2(a) or 2.2(b) of the Option Agreement, plus any Exploration Expenditures actually expended by New Frontiers since such date.



5. Subject to paragraph 15 below, New Frontiers will be the initial operator (the “**JV Operator**”) under the Joint Venture and will remain as JV Operator unless its interest is reduced below 30% or New Frontiers resigns, in which event Canary Gold shall have the right to appoint senior individuals as Officers of the JV Operator, all in compliance with the Brazil Border Zone Law.
6. The JV Operator must keep the Properties in good standing and free from Encumbrances, comply with Applicable Laws and maintain proper books and accounts and adequate insurance with respect to the Joint Venture.
7. The JV Operator shall provide the Parties with quarterly progress reports and semi-annual lists of expenditures, and duplicates of all documents created, received or acquired on the Properties including maps, assays, analysis, invoices, statements, communications, applications, or otherwise in a timely manner but in any event not more than 60 days from the date of the JV Operator’s receipt thereof.
8. The JV Operator shall be entitled to receive a management fee equal to 15% of the Exploration Expenditures of the Joint Venture in consideration for its efforts and services as JV Operator.
9. Each Party to the Joint Venture shall be responsible for its proportionate share of the costs and expenses of the Joint Venture including, but not limited to, any lease, purchase and/or royalty payments and other monies due to arm’s length third parties.
10. The Joint Venture shall constitute a management committee comprised of two representatives of each Party (the “**Management Committee**”), with the representatives of each Party being entitled to cast collectively that number of votes which is equal to the percentage interest of the Party that they represent. The chair of the Management Committee (the “**Committee Chair**”) shall initially be a representative of Canary Gold, who will have a casting vote in matters that the Management Committee is unable to resolve. The Committee Chair and casting vote shall remain in favour of Canary Gold provided that Canary Gold tables a Development Program that advances the Properties to commercial production, and further provided that Canary Gold agrees to fund 100% of the costs associated with creating and implementing the Development Program.
11. Subject to paragraph 15 below, on or before February 1 of each calendar year during the joint venture period, the JV Operator shall submit to the Management Committee for approval a complete exploration program (an “**Exploration Program**”) to be carried out during that calendar year. Any Party not intending to participate in an approved Exploration Program pursuant to its pro rata share for a particular calendar year shall advise the other Party in writing on or before March 1 of that year. A non-participating Party shall be deemed to have forfeited all of its rights to enter, work, explore and develop the Properties during any calendar year that it elects to be non-participating until such time as the participating Party has incurred all of the expenditures that were set out in the Exploration Program for that calendar year.

12. In the event that Canary Gold fails to, or is unwilling or unable to table a Development Program within two years of completing the First Instalment, New Frontiers will have the option to create a competing development program (the “**Competing Development Program**”), which it shall promptly deliver to Canary Gold, and, in doing so, shall have the right to appoint one of its representatives as Committee Chair, who will then hold the casting vote. Canary Gold shall have a period of 90 days to consider the Competing Development Program and agree to fund its 49% share of the associated costs or have their interests in the JV diluted according to the dilution formula set out in paragraph 13 (in which case, the term “Exploration Program” shall be read as “Competing Development Program” for the purposes of such dilution calculation).
13. If a Party elects not to participate in an Exploration Program for any calendar year during the joint venture period, or elects to participate in an Exploration Program but subsequently fails to pay in full for its proportionate share of the costs thereof, the interest of the non-participating or defaulting Party, as the case may be, shall be subject to dilution in accordance with the following calculation:

$$\frac{A \times B + Y}{B + C}$$

(Where:

A = the interest of the Party being diluted prior to the start of the Relevant Program, as defined below;

B = the sum of all deemed and prior contributions of all Parties prior to the start of the Relevant Program;

Y = the actual contributions (if any) of the diluting Party to the Relevant Program; and

C = the total amount actually contributed by all Parties to the Relevant Program; and

“**Relevant Program**” means an Exploration Program to which the diluting Party elected not to contribute or failed to fully contribute and the Exploration Program is subsequently funded by the other Party increasing its contribution by the amount of the shortfall);

and the contributing Party’s interest will be correspondingly increased.

14. No withdrawal by a Party or winding up of the Joint Venture will be permitted without adequate payment of or security for reclamation and closure costs.
15. In the event paragraph 3 above applies, Canary Gold shall be entitled to delay submitting an Exploration Program to the Management Committee for approval until the third calendar year following the calendar year in which the Joint Venture is formed (the “**JV**”).

**Formation Year**”) as long as Canary Gold is otherwise maintaining the Claims in good standing, provided that if Canary Gold fails to submit an Exploration Program to the Management Committee on or before February 1 of the third calendar year following the JV Formation Year, New Frontiers shall be entitled to take over as JV Operator upon notice in writing to Canary Gold.