

MINERAL CLAIM LEASE AGREEMENT

This Agreement is made as of December 12, 2014

AMONG

Gray Rock Resources Ltd., a British Columbia company with an office at 900 - 570 Granville Street, Vancouver, British Columbia, V6C 3P1

(**"Gray Rock"**)

AND

David R. Deering, P. Eng., a mining engineer residing at 207-610 Victoria Street, New Westminster, British Columbia, V3M 0A5

(**"Deering"**)

AND

Saxifrage Geological Services Ltd., a British Columbia company with an office at 47312 Schooner Way, Pender Island, British Columbia, V0N 2M2

(**"Saxifrage"**)

(Deering and Saxifrage being collectively the **"Lessee"**)

WHEREAS:

- A. Gray Rock holds certain mineral claim tenures situated British Columbia, more particularly described in Schedule A;
- B. Lessee desires to lease the Property for the purposes of possible mineral exploration, development and extraction;

NOW THEREFORE, IN CONSIDERATION of the premises, mutual covenants and agreements contained herein, and other good and valuable consideration (the receipt and sufficiency of which is hereby mutually acknowledged) the Parties agree as follows:

Part 1 INTERPRETATION

1.1 **Definitions.** In this Agreement, unless the context otherwise requires:

- (a) **"Lease"** has the meaning ascribed to it in section 2.1;
- (b) **"Mineral Rights"** means:
 - (i) the mineral claims and other forms of successor mineral tenures, mining leases, or other rights to minerals, jade, and/or rocks located on the Property, or to work upon Property for the purpose of searching for, developing or extracting minerals, jade, and/or rocks under any form of mineral title recognized under applicable laws in British Columbia, whether contractual, statutory or otherwise; or
 - (ii) any interest in any Mineral Right;
- (c) **"Option"** has the meaning ascribed to it in section 3.2;
- (d) **"Party"** means either Gray Rock or Lessee, as the context requires and **"Parties"** means both;
- (e) **"Products"** has the meaning ascribed to it in section 2.1(a);

- (f) **“Production Royalty”** means:
- (i) A five percent (5%) Net Smelter Returns Royalty as set out in Schedule B hereto on the sale of all Products, except for jade and any other ornamental rocks or gemstones; and
 - (ii) A five percent (5%) Gross Overriding Royalty as set out in Schedule B hereto on the sale of jade and any other ornamental rocks or gemstones from the Property;
- (g) **“Property”** means the mineral claim tenures as shown in Schedule A, together with any present or future renewal, extension, modification, successor, substitution, amalgamation or variation of said mineral claim tenures;

- 1.2 Time of Essence. Time is of the essence of this Agreement.
- 1.3 Number and Gender. This Agreement is to be read with all changes in gender or number as required by the context.
- 1.4 Headings. The headings in this Agreement are for convenience of reference only and do not affect the interpretation of this Agreement.
- 1.5 Currency. Unless otherwise indicated, all dollar amounts referred to in this Agreement are in the lawful currency of Canada.
- 1.6 Governing Law. This Agreement, any amendment, addendum or supplement hereto, and all other documents relating hereto will be governed by and construed in accordance with the laws of British Columbia. The parties hereto irrevocably attorn and submit to the exclusive jurisdiction of the courts of British Columbia with respect to any dispute related to or arising from this Agreement.
- 1.7 Statutes. Unless otherwise stated, any reference to a statute includes and is a reference to such statute and to the regulations made pursuant to it, with all amendments thereto and in force from time to time, and to any statute or regulations that may be passed which supplement or supersede such statute or such regulations.
- 1.8 No Contra Preferentum. The language in all parts of this Agreement shall in all cases be construed as a whole and neither strictly for nor strictly against any of the parties to this Agreement.

Part 2 THE LEASE

- 2.1 Grant of Lease. In consideration of the annual lease payments and the Production Royalty given by Lessee, and subject to the proviso below, Gray Rock hereby leases to the Lessee, in accordance with the terms and conditions of this Agreement, all Minerals Rights to the Property and the appurtenances thereon or thereto (the **“Lease”**) including without limitation the following rights:
- (a) the exclusive right to occupy the Property, and to explore, prospect, develop, mine and extract, whether by underground, surface, solution mining or other methods, any and all metals, ores, minerals, mineral substances, rocks and materials of all kinds in, under, upon, and that may be produced from, the Property, including for greater certainty jade and any other ornamental rocks or gemstones, all dump ores, concentrates and precipitates (which collectively are hereinafter referred to as **“Products”**) and to store, stockpile, remove, ship, treat, process, sell and dispose of Products;

- (b) the exclusive right to carry on general mining, milling, beneficiation and/or refining operations on the Property;
- (c) the exclusive right to construct, use and maintain in or upon the Property and the surface thereof such structures, mining machinery, equipment, tools, ore bins, roads, shafts, inclines, tunnels, drifts, open pits, leach pads, tailings ponds, pipelines, telephone lines, electric transmission lines, water storage and transmission facilities and pipelines, concentrating, milling or refining facilities, building, shops and other facilities as Lessee may deem necessary for Operations;
- (d) the exclusive right to use any surface and underground water and water rights now existing or subsequently discovered or developed in or upon appurtenant to the Property and to use all reciprocal rights which the Property may have with respect to other properties in the area;
- (e) the right to commingle Products produced from the Property with Products produced from other properties not subject to this Agreement; and,
- (f) the right to do all other things which are incidental to or which may be useful, desirable or convenient in Lessee's exercise of any or all of the rights granted to Lessee in this Agreement.

Provided however that Lessee acknowledges and agrees that the Mineral Rights held by Gray Rock do not permit Gray Rock or Lessee to commercially mine or remove Products from the Property, and Lessee will be solely responsible at their own expense to apply for and obtain all required mining leases, and other forms of governmental permits or licences for access to the Property, surface use, the construction of mining facilities, the use of any surface or underground water, and the extraction of Products from the Property.

- 2.2 Initial Term. The Lease shall commence as of the date hereof and continue for an initial term of seven (7) years.
- 2.3 Exclusive Possession. Upon execution of this Agreement, Lessee and its employees and agents may enter upon and take immediate possession of the Property and have the exclusive and quiet possession thereof during the term of this Agreement.
- 2.4 No Duty to Explore or Develop. Nothing in this Lease shall be deemed to create any obligation or duty on Lessee to conduct any exploration, development, mining or other activities on or the benefit of the Property. Lessee may explore, sample, drill, study, plan, analyze, develop or mine the Property in the manner and to the extent that Lessee, in its sole discretion, deems advisable in accordance with the terms and conditions of this Lease.

Part 3 LEASE, OPTION AND ROYALTY

- 3.1 Lease Payments. Lessee shall pay annual lease payments of \$10,000 starting on the first anniversary (or the commencement of Year 2) of this Agreement's date, and such annual lease payment will be due and payable on each subsequent anniversary thereafter until the termination of this Agreement. For clarity, each annual lease payment pertains to the calendar year following the payment date.

- 3.2 Purchase of Property. Gray Rock hereby grants the Lessee an option to purchase the Mineral Rights to the Property, being subject at all times to the Production Royalty, for \$500,000 (the “**Option**”) at anytime, and if the Lessee elects to exercise the Option, Gray Rock acknowledges and agrees that any future royalty payments due to Gray Rock from Lessee after the exercise of the Option shall be reduced by \$500,000. Lessee may exercise the Option at anytime by notifying Gray Rock of such intent in writing and paying Gray Rock \$500,000.
- 3.3 Royalties. Lessee shall pay Gray Rock the Production Royalty, in accordance with the terms and conditions set out in Schedule B, on all Products produced from the Property.

Part 4 TAXES, FEES AND OTHER EXPENSES

- 4.1 Payable By Gray Rock. Lessee shall pay:
- (a) the annual mineral tenure fees and any other associated expense to keep the Property in good standing; and
 - (b) any taxes, rates and assessments that may be levied or assessed against Gray Rock by reason of Gray Rock’s ownership of or interest in the Property.

The Parties hereby agree that in the event that Lessee fails to pay any of the aforementioned fees, expenses, taxes and assessments during the term of the Lease, Gray Rock shall have the right but not the obligation to advance payment of such fees, expenses, taxes and assessments on Lessee’s behalf in order to keep the Property in good standing, and Lessee shall then reimburse Gray Rock within the next ten (10) days from payment or Lessee will be in default of this Agreement and the provisions of Section 8.2 below will apply.

- 4.2 Payable by Lessee. Lessee shall also pay:
- (a) any taxes, rates and assessments that may be levied or assessed in respect of the Lessee’s mining operations on the Property, including all taxes based on the production of Products from the Property; and
 - (b) any fees or expenses associated with the permitting or licensing of the Lessee’s mining operations on the Property.

Part 5 REPRESENTATIONS AND WARRANTIES

- 5.1 Mutual. Each of the Parties hereby represents and warrants to the other that:
- (a) if the Party is a corporation, it is validly incorporated, organized and subsisting in accordance with the laws of its place of incorporation;
 - (b) it has full power and capacity to enter into and perform its obligations under this Agreement;
 - (c) all necessary authorizations for the execution, delivery and performance by it of this Agreement in accordance with its terms have been obtained; and
 - (d) the execution, delivery and performance of this Agreement complies with its constitution and does not constitute a breach of any law or obligation, or cause a default under any agreement by which it is bound.

5.2 By Gray Rock. Gray Rock hereby represents and warrants to Lessee that:

- (a) it is the sole recorded and beneficial owner of the Property, and holds good record title to the underlying mineral claim tenures free and clear of all liens, encumbrances, leases, royalties or agreements of any kind;
- (b) there are unresolved native land claim issues in respect of the Property, and in result there may be claims made by native groups asserting a right, interest or entitlement to the occupation or use of the Property;
- (c) upon issuance of a mining lease by the Ministry of Mines and Energy and the issuance of a mine permit, it will have the exclusive right to receive 100% of the proceeds from the sale of Products from the Property and no person or entity is entitled to any royalty or other payment in the nature of rent or royalty on such materials removed from the said lands or is entitled to take such materials in kind;
- (d) reclamation and rehabilitation of those parts of the Property which have been previously worked by the Gray Rock have been properly completed in compliance with all applicable laws, and the Gray Rock hereby covenants and agrees to save the Lessee harmless from and against any loss, liability, claim, demand, damage, expense, injury or death arising out of or in connection with the operations or activities which were carried out on the Property by the Gray Rock before the date of this agreement; and
- (e) to the best of its knowledge, reclamation and rehabilitation of those parts of the Property which have been previously worked by persons other than the Gray Rock have been properly completed in compliance with all applicable laws by such other persons, or if not so completed, the Gray Rock has used its best efforts to mitigate the damage to the environment resulting from such previous work.

5.3 Survival. The representations and warranties made by the Parties under this Part 5 are true and correct as of the date hereof and shall survive delivery of any deed or termination of this Lease.

Part 6 ADDITIONAL COVENANTS AND AGREEMENTS

6.1 Subdivision of Claim. Upon the execution of this Agreement and at their sole expense, Lessee shall apply on Gray Rock's behalf to subdivide mineral claim tenure #733585 into two mineral claim tenures in accordance with the boundaries and coordinates shown on the map attached hereto as Schedule A. The boundaries drawn in red on the map shall constitute the Property for the purpose of this Lease.

6.2 By Lessee. Lessee hereby covenants and agrees with Gray Rock that it will:

- (a) obtain all licenses, permits and bonds required to conduct its activities on the Property;
- (b) carry on all mining operations on the Property in compliance with all applicable governmental regulations and restrictions, and in accordance with mining industry standards and practices;
- (c) make all necessary filings with respect to annual assessment work;
- (d) allow Gray Rock or its duly authorized agents or representatives access to inspect the Property or any mining facilities or underground operations, at any time during normal operating hours, provided that Gray Rock or any such agent or representative shall not

interfere with the Lessee's activities on the Property and entry shall be at Gray Rock's own risk and that the Lessee shall not be liable for any loss, damage or injury incurred by Gray Rock or its agent or representative arising from its inspection of the Property, however caused; and

- (e) reclaim the Property from the effects of Lessee's activities to the extent required by applicable law, and Lessee will indemnify and hold Gray Rock harmless from all liabilities of any nature or kind whatsoever arising from Lessee's activities on the Property, including any environmental damage or breach of environmental laws or regulations.

Part 7 REPORTS AND AUDITS

- 7.1 Within 45 days of the end of each calendar year (except the first calendar year if this Agreement is executed during the month of December), the Lessee shall prepare and submit to Gray Rock an annual report setting forth in reasonable detail the results of mineral exploration, development and extraction, for the preceding calendar year. The annual report shall include a projection of anticipated exploration operations over the next calendar year, along with a discussion of material events that occurred in the prior calendar year. Further, the Lessee will provide Gray Rock with written quarterly updates after the close of each of the first three calendar quarters on the progress, status, and results of the work completed, including raw data if requested by Gray Rock. Due to the annual report required under this section, the Lessee will not be required to provide a quarterly update for the fourth quarter of the calendar year. If the Lessee becomes aware of a material event that may trigger a reporting requirement on the part of Gray Rock in the time periods between (i) quarterly reports, (ii) the update for third calendar quarter and the annual report, or (iii) the annual report and the update for the first calendar quarter of the next year, the Lessee will notify Gray Rock of such event in writing within 7 days. Such notice shall include a statement setting forth in reasonable detail the exploration data, development and extracting activities documenting such material event, and the Lessee shall use its reasonable best efforts to provide Gray Rock such other information as may reasonably be requested by Gray Rock to meet its reporting requirements in a timely manner.
- 7.2 Within 30 days after the date Gray Rock receives the annual report described in Section 7.1(a) above, Gray Rock may notify the Lessee that it desires to audit the report, including the exploration expenditures and the development and extraction activities included in the most recent report. If Gray Rock gives such notice, the Lessee will cooperate with the audit which shall be concluded within 60 days of the date of Gray Rock's notice.

Part 8 TERMINATION

- 8.1 By Lessee. Lessee may terminate this Agreement at any time by giving written notice to Gray Rock.
- 8.2 By Gray Rock. If Lessee fails to make any payment or fails to do anything on or before the last day provided for such payment or performance under this agreement, Gray Rock may terminate this Agreement but only if it shall have first given to the Lessee written notice of the failure containing particulars of the payment which the Lessee has not made or the act which the Lessee has not performed, and

- (a) if the notice relates to a cash payment to the Gray Rock, the Lessee has not made such payment within 15 business days following delivery of the Gray Rock's notice; or
 - (b) in every other case, the Lessee has not within 30 days following delivery of the Gray Rock's notice cured such failure or commenced proceedings to cure such failure by appropriate payment or performance.
- 8.3 Obligations and Interests. Upon the termination of this Agreement, each Party shall have no further obligations to the other Party except for those obligations outstanding on the effective date of termination and those obligations that are specified herein to survive the termination of this Agreement.
- 8.4 Access for Reclamation. Lessee shall have the right of access to the Property for as long as necessary after termination for the purposes of performing any reclamation or restoration activity or inspections required by law, rules or regulation or any relevant permit, authorization or approval, and the terms and conditions of this Lease. Until Lessee's reclamation bond has been released, Gray Rock shall not resume operations or allow others to resume operations on the Property unless and until any necessary reclamation bond has been posted for such operations by the new operator.
- 8.5 Removal of Equipment. Lessee shall have six months after termination of this Agreement to remove from the Property all personal property and all improvements erected or placed by Lessee in or upon the Property and the right to remove from the Property all broken or stockpiled ore, minerals, concentrates, and other Products. Lessee may keep one or more watchmen on the Property during such six-month period.

Part 9 GENERAL

- 9.1 Entire Agreement. This Agreement contains the whole agreement between the parties pertaining to the subject matter hereof and supersedes all prior agreements, understandings, negotiations and discussions between the parties and there are no representations, warranties, covenants, conditions or other terms other than expressly contained in this Agreement.
- 9.2 Severability. The invalidity, illegality or unenforceability of any provision of this Agreement shall not affect the validity, legality or enforceability of any other provision hereof.
- 9.3 Further Assurances. Each party will execute and deliver to the other any additional instruments and will take any additional steps that may be reasonably required to give full effect to this Agreement.
- 9.4 No Assignment. This Agreement, which includes any interest granted or right arising under this Agreement, may not be assigned or transferred without the prior written consent of the other party.
- 9.5 Amendment & Waiver. No amendment to this Agreement will be valid or binding unless set forth in writing and duly executed by all the parties. No waiver of any breach of any term or provision of this Agreement will be effective or binding unless made in writing and signed by the party purporting to give the same, and unless otherwise provided, will be limited to the specific breach waived.
- 9.6 Enurement. This Agreement binds and enures to the benefit of the parties and their respective successors and permitted assigns.

- 9.7 Force Majeure. The parties will exercise every reasonable effort to meet their respective obligations hereunder but shall not be liable for any delay resulting from force majeure or other cause beyond their reasonable control, including but not limited to an act of God, fire, strike, lockout, national disaster, war, riot or transportation problem. Any such cause will extend the time of performance of the delayed obligation to the extent of the delay so incurred.
- 9.8 Notice. All notices or communications required in this Agreement shall be given in writing and must be delivered to the address(es) set forth above (or at such other address as the other party may direct in writing): (a) in person, (b) by facsimile, (c) by registered mail, or (d) by a commercial courier that provides a signature of receipt. Any such communication shall be effective only upon delivery, which for any communication given by facsimile shall mean the transmission date as confirmed by the facsimile transmission report. A signed receipt for the communication shall constitute proof of delivery, but if the sender can prove that delivery was made as provided for above, then it will constitute delivery despite the absence of a signed receipt. If a communication is rejected or undeliverable through no fault of the sender, notice will be deemed served one business day after the date of attempted service.
- 9.9 Execution by Counterparts. This Agreement may be executed in counterparts with original, telefacsimile or electronic signatures, with each counterpart when delivered to be deemed an original and all of which when taken together to constitute one and the same instrument.

[Balance of page intentionally left blank; signature page follows]

The parties have executed this Agreement on the date first written above.

SIGNED, SEALED and DELIVERED by David R. Deering in the presence of:

Brian Richards
Signature of Witness

Brian Richards
Name of Witness

3430 Roxton Ave., Coquitlam, BC
Address of Witness

V3B 3H7

David R. Deering
DAVID R. DEERING

GRAY ROCK RESOURCES LTD.

[Signature]
Per. Authorized Signatory

SAXIFRAGE GEOLOGICAL SERVICES LTD.

[Signature]
Per. Authorized Signatory

Schedule A: Map and Coordinates of Property

Name of Mineral Claim	Mineral Claim Tenure No.	Area (hectares)	Expiry Date	Recorded Holder
Silverstream 2	733585	509.58	Dec. 30, 2015	Gray Rock

All located in British Columbia.

Schedule B: Definition of Production Royalty

Part 10 INTERPRETATION

10.1 Definitions. In this Schedule B, unless the context otherwise requires:

- (a) “**Affiliate**” means any person which directly or indirectly controls, is controlled by, or is under common control with, a Party. For purposes of the preceding sentence, “control” means, in relation to any person, possession, directly or indirectly, of the power to direct or cause direction of management and policies of that person through ownership of voting securities, contract, voting trust or otherwise;
- (b) “**Agreement**” means the main agreement to which this Schedule is appended;
- (c) “**Allowable Deductions**” means:
 - (i) all costs, penalties, fees, expenses, charges, and deductions that are incurred by the Payor and its Affiliates relating to smelting or refining Mineral Products, including without limitation tolling charges or deductions, representation expenses, metal losses, umpire charges, assaying and sampling charges, smelting costs, treatment charges and penalties for impurities;
 - (ii) all costs, expenses and charges that are incurred by the Payor and its Affiliates relating to transportation (including insurance, shipping, freight, handling, loading, port, demurrage, security, delay and forwarding expenses and transaction taxes) of the Mineral Products from the Property, a mill or other place of ore treatment to a smelter or refinery, including such costs, expenses, and charges related to transportation from any such facility to another, and from there to the place or places of storage and sale to the place where sold, and will include costs or charges of any nature for or in connection with insurance, storage or representation at a smelter or refinery for Mineral Products; and
 - (iii) all taxes, duties, governmental royalties and other governmental charges, if any, payable by the Payor or its Affiliates with respect to the sale, import, export or transportation of ore, concentrates, doré, refined gold, refined silver, or other Mineral Products produced from the Property or in respect of the Royalty, but excluding taxes based on net income, gross income or the value of the Property and excluding any value added or other taxes that are recoverable by the Payor or its Affiliates; but
 - (iv) for the avoidance of doubt, Allowable Deductions will not, except as expressly stated otherwise in this section 10.1(c), include any exploration or mining costs.
- (d) “**Average Spot Price**” for any expired Quarter means:
 - (i) in respect of gold, the arithmetic average of the London PM Fix Price for every day of the expired Quarter on which the London Bullion Dealers Association fixes a spot price for an ounce of gold;
 - (ii) in respect of other precious metals, the arithmetic average of the price of metal quoted on the London Metals Exchange in the Metals Bulletin, for every day of the expired Quarter on which the price of the metal is so quoted;
 - (iii) in respect to any other mineral, the arithmetic average of the price of such mineral on each business day of the expired Quarter, where such price is arrived at using the

industry standard in Canada for establishing the average spot price of any other such Mineral;

- (e) **“Commercial Production”** means the operation of all or part of the Property as a producing mine, but does not include bulk sampling or milling for the purpose of testing or milling by a pilot plant, and will be deemed to have commenced on the first day of the month following the first 30 consecutive days during which Minerals have been produced from a mine at an average rate of not less than 65% of the initial rated capacity if a plant is located on the Property or if no plant is located on the Property, the last day of the first period of 30 consecutive days during which ore has been shipped from the Property on a reasonably regular basis for the purpose of earning revenues, whether to a plant or facility constructed for that purpose or to a plant or facility already in existence;
- (f) **“Dispute”** means any dispute, question or difference of opinion between the Parties concerning or arising out of or under the Agreement;
- (g) **“Dispute Notice”** has the meaning given in section 15.1;
- (h) **“Dispute Representative”** has the meaning given in section 15.2;
- (i) **“Gross Overriding Royalty”** means a royalty equal to five percent (5%) of the Gross Proceeds for Jade and Other Ornamental Rocks or Gemstones, as such term is defined herein;
- (j) **“Gross Proceeds”** means, subject to the provisions of section 11.4, in respect of an expired Quarter the aggregate of:
 - (i) the gross proceeds from the sale (whether immediate or for future delivery) during the expired Quarter of all Mineral Product extracted from the Property where the sale is effected on an arms-length basis on normal commercial terms;
 - (ii) if sales are effected on any other basis than on an arms-length basis on normal commercial terms, or if Mineral Product extracted from the Property is disposed of otherwise than by sale (whether immediate or for future delivery) during the expired Quarter, the Average Spot Price multiplied by the quantity of the Mineral Product extracted from the Property so sold or otherwise disposed of during the expired Quarter;
- (k) **“Gross Proceeds for Jade and Other Ornamental Rocks or Gemstones”** means the gross proceeds from the sale (whether immediate or for future delivery) during the expired Quarter of all jade or other ornamental rocks or gemstones extracted from the Property where the sale is effected on an arms-length basis on normal commercial terms free and clear of all costs of development and operation, and subject only to applicable mineral and mining taxes and royalties;
- (l) **“Interest Rate”** means the prime rate of the Royal Bank of Canada as announced by the Royal Bank of Canada at 9:00a.m. (Pacific Standard Time) on the due date for payment or, if the prime rate is not published on that day, on the day before the due date for payment on which the prime rate was most recently published;
- (m) **“London PM Fix Price”** for a day means the spot price in United States dollars per troy ounce of gold fixed in the afternoon by the London Bullion Dealers Association on that day, converted into Canadian dollars per troy ounce of gold;

- (n) “**Mineral Product**” means all minerals, ore, concentrate, precious metals and base metals removed, extracted or recovered from the Property and sold by the Payor, other than jade or other gemstones;
- (o) “**Net Smelter Returns Royalty**” means a royalty equal to five percent (5%) of the Receipts;
- (p) “**Payor**” means Lessee;
- (q) “**Quarter**” means a period of 3 calendar months ending on 31 March, 30 June, 30 September, or 31 December and “**Quarterly**” has a corresponding meaning;
- (r) “**Receipts**” means the Gross Proceeds derived from the sale or disposition of Mineral Product less Allowable Deductions;
- (s) “**Royaltyholder**” means Gray Rock;
- (t) “**Royalty Statement**” has the meaning given in section 13.1;
- (u) “**Rules**” has the meaning given in section 15.3;
- (v) “**Trading Activities**” has the meaning given in section 11.4.

Part 11 RIGHTS AND OBLIGATIONS

- 11.1 Commencement of Obligations. Upon the first receipt by the Payor of payment from the sale of Mineral Product from Commercial Production, the Payor owes the Royaltyholder the Net Smelter Returns Royalty, on the terms and conditions specified in the Agreement. The Payor must advise the Royaltyholder of the commencement of Commercial Production in respect of the Property by providing written notice to the Royaltyholder within five business days before the start of Commercial Production. Upon the first receipt by the Payor of payment from the sale of jade or other ornamental rocks or gemstones from the Property, the Payor owes the Royaltyholder the Gross Overriding Royalty.
- 11.2 Services Performed by Payor. Where any Allowable Deductions for the purposes of the Net Smelter Returns Royalty are based upon costs incurred in respect of activities or services performed by the Payor or its Affiliates, the charges for such activities must not exceed the charges or deductions that would be made for such activities or services by an independent contractor providing the most competitive alternative. Allowable Deductions will not be duplicative of any deductions made by the purchaser of Mineral Products in determining the amount received by the Payor or its Affiliates from the sale of Mineral Products pursuant to the definition of Gross Proceeds in section 8.1(j).
- 11.3 Commingling. Commingling of Mineral Product from the Property with other ores, concentrates, mineral products, metals and minerals produced elsewhere is permitted, provided that the Payor determines the weight or volume of, sample and analyze all such ores, metals, minerals and mineral products before the same are so mixed or commingled, using reasonable and customary procedures for weighing, sampling, assaying, measuring and testing of the ores, concentrates, mineral products, metals and minerals.
- 11.4 Trading Activities. The Payor will have the right to engage in forward sales, futures trading or commodity options trading and other price hedging, price protection, and speculative arrangements (“Trading Activities”) which may involve the possible physical delivery of Mineral Product. If the Payor engages in Trading Activities in respect of Mineral Product, then:

- (a) the Gross Proceeds will be determined on the basis of the Average Spot Price of such Mineral Product;
- (b) the calculation of the Net Smelter Returns Royalty will not take into account any gains or losses generated by the Trading Activities.

Part 12 PAYMENTS

- 12.1 Manner of Payment. The Production Royalty will be due and payable Quarterly on the last business day of the month following the end of the Quarter for which the Production Royalty accrued. All payments made hereunder must be made without demand, notice, set off, or reduction.
- 12.2 Interest on Late Payments. If the Payor fails to pay the Production Royalty or any amounts due hereunder on time, the Royaltyholder shall have the right to charge simple interest, calculated daily at the Interest Rate on any outstanding amounts. The Royaltyholder's right to charge interest under this section is without prejudice to any other rights the Royaltyholder may have against the Payor at law or in equity.
- 12.3 Objections to Calculations. The Royaltyholder shall have to right to object to the calculations of the Production Royalty in any Royalty Statement, provided that the Royaltyholder gives the Payor a notice of objection within 120 days of receiving the Royalty Statement. Upon receipt of the notice of objection by the Payor, the Parties shall follow the procedures and conditions below:
- (a) The Royaltyholder shall select and engage, within 10 business days of the Payor's receipt of the notice of objection, a chartered accountant to audit the Payor's accounts and records (including mining and production records) relating to the calculation of the Production Royalty payment in question, provided that the audit is commenced and concluded within a reasonable time period.
 - (b) The Payor shall grant access, upon reasonable notice and during regular business hours, to the chartered accountant of the Payor's accounts and records.
 - (c) If an audit conducted in accordance with this section 12.3 determines that there has been a deficiency or an excess in the payment made to the Royaltyholder, such deficiency or excess will be resolved by adjusting the next Quarterly Production Royalty payment due under the Agreement. If production has ceased, settlement will be made between the Parties by cash payment within ten business days of the Payor's receipt of the audit report.
 - (d) The Royaltyholder will pay all costs of the audit, unless a deficiency of 5% or more of the amount due to the Royaltyholder is determined to exist in which case the Payor will pay all costs of such audit.

Part 13 REPORTING, BOOKS AND RECORDS

- 13.1 Quarterly Royalty Statements. The Production Royalty payments will be accompanied by a statement (a "Royalty Statement") showing in reasonable detail:
- (a) the quantities and grades of Mineral Product, or jade or other ornamental rocks or gemstones, produced and sold or deemed sold by the Payor in the preceding Quarter;
 - (b) the proceeds of sale for Mineral Product, or jade or other ornamental rocks or gemstones, on which the Production Royalty is due (as the case may be) in the preceding Quarter;

- (c) the applicable Allowable Deductions (if any); and
 - (d) other pertinent information in sufficient detail to explain the calculation of the Production Royalty payment.
- 13.2 Books and Records. The Payor must maintain accurate and proper records of all operations (including mining and processing operations) carried out upon the Property and of all Mineral Product, or jade or other ornamental rocks or gemstones, derived from those operations.
- 13.3 Accounting Principles. All books and records used by the Payor to calculate the Production Royalty must be kept according to Canadian generally accepted accounting principles or International Financial Reporting Standards.

Part 14 CHANGE IN OWNERSHIP

- 14.1 By Royaltyholder. Notwithstanding any other provision in this Agreement, the Royaltyholder may sell, assign or transfer its ownership of the Production Royalty without the consent of the Payor, provided the proposed transferee first give the Payor a written acknowledgement that the proposed transferee agrees to be bound by the terms of this Schedule B.

Part 15 DISPUTE RESOLUTION

- 15.1 Dispute Resolution. All Disputes must be resolved in accordance with the provisions of this Part 15. In the event of a Dispute, a Party must give to the other Party a notice ("Dispute Notice") specifying the Dispute and requiring its resolution under this Part 15.
- 15.2 Representatives to Seek Resolution. If the Dispute is not resolved within 7 days after a Dispute Notice is given to the other Party, each Party must nominate one representative from its senior management to resolve the Dispute (each, a "Dispute Representative"), who must negotiate in good faith using their respective commercially reasonable efforts to attain a resolution of the Dispute.
- 15.3 Submission to Arbitration. If the Dispute is not resolved within 14 days of the Dispute being referred to the respective Dispute Representatives, then either Party may submit the Dispute to arbitration for resolution under the Rules of the British Columbia International Commercial Arbitration Centre ("Rules"), which Rules are deemed to be incorporated by reference into this section, in the following manner:
- (a) The number of arbitrators will be three.
 - (b) Each Party will be entitled to nominate one arbitrator and the Chairman will be selected in accordance with the Rules.
 - (c) The seat, or legal place of arbitration, will be Vancouver, British Columbia, Canada. The language used in the arbitral proceedings will be English.
 - (d) The interpretation and construction of this section 15.3 will be governed by and construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable in British Columbia.

- 15.4 Enforcement. The award rendered by an arbitrator may be enforced by judgment of any court having jurisdiction or an application may be made to such court for acceptance of the award and an order of enforcement, as the case may be.
- 15.5 Performance of Obligations During Dispute. During the existence of any Dispute, the Parties must continue to perform all of their obligations under the Agreement without prejudice to their position in respect of such Dispute, unless the Parties otherwise agree.
- 15.6 Interlocutory Relief. If a Dispute is to be resolved in accordance with section 15.3, then no Party may commence legal proceedings in respect of that Dispute in any court except for urgent interlocutory relief or to enforce an arbitration award.