

OPTION AGREEMENT

THIS AGREEMENT is made as of the 29th day of March, 2017.

AMONG:

DURANGO RESOURCES INC., a company incorporated under the laws of British Columbia, with an office at Suite 248, 515 West Pender Street, Vancouver, British Columbia, V6B 6H5 (the "**Optionor**")

AND

BONTERRA RESOURCES INC., a company incorporated under the laws of British Columbia, with an office located at Suite 510, 744 West Hastings Street Vancouver, British Columbia, V6C 1A5 (the "**Optionee**")

WHEREAS:

- A. The Optionor is the beneficial owner of one hundred percent (100%) undivided interest in the Trove Claims (the "**Property**"), comprised of the 21 mineral claims (the "**Claims**") more particularly described in Schedule A;
- B. The Optionee wishes to acquire an option to acquire the Property, subject to the approval of the TSX Venture Exchange (the "**Exchange**"); and
- C. The Optionor has agreed to grant the exclusive and irrevocable right and option to the Optionee to acquire 100% of all legal and beneficial right, title and interest in the Property free and clear of all Encumbrances (as defined below), subject to the Royalty (as defined below), based on the terms and conditions provided herein (the "**Option**");

NOW THEREFORE in consideration of the respective covenants, agreements, representations and warranties of the Parties herein contained and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereto covenant and agree as follows:

1. INTERPRETATION

1.1 In this Agreement, the following words and phrases have the following meanings:

- (a) "**Assets**" mean the Property and the Exploration Data;
- (b) "**Business Day**" means a day other than a Saturday, Sunday or a day on which chartered banks in Vancouver, British Columbia are closed;
- (c) "**Closing**" means the closing of the Transaction;

- (d) "**Closing Date**" means the date of Closing designated by the Parties which is within two (2) Business Days after the Exchange Approval Date, or on such later date as the Parties may mutually agree;
- (e) "**Commencement of Commercial Production**" means:
 - (i) if a mill is located on the Property, the last calendar day of a period of 40 consecutive calendar days in which, for not less than 30 calendar days, the mill processed ore from the Property at 60% of its rated concentrating capacity, or
 - (ii) if a mill is not located on the Property, the last day of a period of 30 consecutive calendar days during which ore has been shipped from the Property on a reasonably regular basis for the purpose of earning revenues,but any period of time during which ore or concentrate is shipped from the Property for testing purposes, a bulk sample or during which milling operations are undertaken as initial tune-up, will not be taken into account in determining the date of Commencement of Commercial Production;
- (f) "**Encumbrance**" has the meaning set out in Section 2.2(a) herein;
- (g) "**Environmental Claims**" means any and all administrative, regulatory or judicial actions, suits, demands, claims, liens, notices of non-compliance or violation, investigations or proceedings relating in any way to any Environmental Law or any permit issued under any Environmental Law, including, without limitation:
 - (i) any and all claims by government or regulatory authorities for enforcement, clean-up, removal, response, remedial or other actions or damages under any applicable Environmental Law,
 - (ii) any and all claims by any third party seeking damages, contribution, indemnification, cost recovery, compensation or injunctive or other relief, and
 - (iii) any and all claims resulting from hazardous materials, including any release of those claims, or arising from alleged injury or threat of injury to human health or safety (arising from environmental matters) or the environment;
- (h) "**Environmental Laws**" means all requirements of the common law, civil code or of environmental, health or safety statutes of any agency, board or governmental authority, including, but not limited to, those relating to:
 - (i) noise,

- (ii) pollution or protection of the air, surface water, ground water or land,
 - (iii) solid, gaseous or liquid waste generation, handling, treatment, storage, disposal or transportation,
 - (iv) exposure to hazardous or toxic substances, or
 - (v) the closure, decommissioning, dismantling, or abandonment of any facilities, mines or workings and the reclamation or restoration of lands;
- (i) "**Exchange**" has the meaning set out in Recital B;
 - (j) "**Exchange Approval Date**" means the date of the letter by which the Exchange confirms its acceptance for filing of this Agreement;
 - (k) "**Expenditure Certificate**" has the meaning set out in Section 3.5;
 - (l) "**Exploration Data**" means a digital copy or hardcopy of all data related to the Property, including drill logs, maps and reports generated from such data, collected by the Optionor and its contractors on the Property;
 - (m) "**Exploration Expenditures**" means all cash, expenses and obligations funded, spent or incurred directly or indirectly on exploration, evaluation and development activities on or for the Property, including, land payments, fees, taxes and charges required to keep or secure the Property in good standing; all expenditures for geophysical, geo-chemical and geological work; all expenditures for surveys, drilling, assays, metallurgical testing, engineering, construction and all other expenditures directly benefiting the mineral rights that comprise the Property and the work thereon, but excluding general and administrative expenses;
 - (n) "**Governmental Authorities**" means any government, whether federal, provincial, territorial, local, regional, municipal or other political jurisdiction, and any agency, authority, instrumentality, court, tribunal, board, commission, bureau, arbitrator, arbitration tribunal or other tribunal, or any quasi-governmental or other entity, insofar as it exercises a legislative, judicial, regulatory, administrative, expropriation or taxing power or function of or pertaining to government;
 - (o) "**Material Adverse Effect**" has the meaning set out in Section 2.2(g), herein;
 - (p) "**Option**" has the meaning set out in Recital C;
 - (q) "**ores**" or "**ore**" means any and all metallic and non-metallic minerals, and all other valuable substances, of every kind including, without limitation, deposits, ores, concentrates and solutions containing such minerals or other

substances in all forms in which they may be found, extracted or produced, as well as any by-products thereof having commercial value;

- (r) "**Option Period**" means the period from the date of this Agreement up to and including the earlier of the date of the exercise of the Option and the date of termination of the Option;
- (s) "**Party**" means any party to this Agreement and "**Parties**" means both parties;
- (t) "**Payment Shares**" means the aggregate of 3,000,000 Shares issuable to the Optionor pursuant to the exercise of the Option;
- (u) "**Property**" has the meaning set out in Recital A, including any replacement or successor area with respect to the Property, and all mining leases and other mining interests derived from the Property;
- (v) "**Public Disclosure Documents**" means the documents filed with the securities commissions in the provinces in Canada in which the Optionee is a "reporting issuer" (as such term is defined under applicable securities laws) which are available under the Corporation's profile at www.sedar.com on the Effective Date;
- (w) "**Royalty**" has the meaning set out in Section 7;
- (x) "**Shares**" means fully paid and non-assessable common shares without par value in the share capital of the Optionee;
- (y) "**Transaction**" means the grant of the Option by the Optionor to the Optionee in consideration for the cash, securities and Exploration Expenditures set out herein;

1.2 This Agreement includes the following Schedules which are attached hereto:

Schedule A – Property Description.

Schedule B – Additional Representations and Warranties of the Optionee.

Schedule C – Royalty Agreement.

2. **REPRESENTATIONS AND WARRANTIES**

2.1 Each Party represents and warrants to the other Party that:

- (a) it has been duly incorporated and validly exists as a corporation in good standing under its applicable laws of incorporation and has all requisite corporate power and authority to own its properties and carry on its business as now being conducted;

- (b) it has, and will continue to have during the Option Period, the full right, power, capacity and authority to enter into, execute and deliver this Agreement, to be bound by its terms and for the performance of this Agreement by it, and the consummation of the transactions herein contemplated will not conflict with nor result in any breach of any covenants or agreements contained in, or constitute a default under, or result in the creation of any encumbrance under, the provisions of the Articles or the constating documents of each such Party, as applicable, or any shareholders or directors resolution, indenture, agreement or other instrument whatsoever, as applicable, to which each such Party is a party or by which it is bound;
- (c) no proceedings are pending for, and it is unaware of any basis for, the institution of any proceedings leading to the placing of the Party in bankruptcy or making the Party subject to any other laws governing the affairs of insolvent parties;
- (d) the execution, delivery and performance of this Agreement and the matters contemplated herein have been duly authorized by all necessary corporate action, as applicable, and no other corporate proceedings are necessary to authorize this Agreement and the matters contemplated herein; and
- (e) the Agreement, when delivered in accordance with the terms hereof, will constitute a valid and binding obligation enforceable against the Party in accordance with its terms, except:
 - (i) as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium, liquidation and other similar laws of general application affecting enforcement of creditors' rights generally, and
 - (ii) as limited by laws relating to the availability of specific performance, injunctive relief or other equitable remedies.

2.2 The Optionor further represents and warrants to the Optionee that:

- (a) the Optionor is the sole legal and beneficial owner of all right, title and interest to the Property and the Property is free and clear of, and from, all claims, liens, security interests, charges and encumbrances (each, an "**Encumbrance**"), and is not subject to any judgment, order or decree entered in any lawsuit or proceeding;
- (b) the Claims are accurately described in Schedule A and have been properly staked, located and recorded pursuant to all applicable laws and regulations, including the laws of Quebec, and are, and upon the exercise of the Option will be, in good standing in respect to the performance and recording of assessment work up to and including at least the expiry dates set forth in Schedule A;

- (c) the Optionor has held the Property in material compliance with all applicable laws, rules, statutes, ordinances, orders and regulations and the Optionor has not received any notice of any violation thereof, nor is the Optionor aware of any valid basis therefor;
- (d) the Optionor has paid all fees, taxes, assessments, rentals, levies or other payments required to be made relating to the Property;
- (e) the Optionor holds all permits, licences, consents and authorities issued by Governmental Authorities which are necessary in connection with the ownership of the Property;
- (f) neither the execution, delivery and performance of this Agreement, nor the exercise of the Option, will conflict with, result in a violation of, cause a default under (with or without notice, lapse of time or both) or give rise to a right of termination, amendment, cancellation or acceleration of any obligation contained in or the loss of any material benefit under, or result in the creation of any Encumbrance upon the Property or other instrument, permit, license, judgment, order, decree, statute, law, ordinance, rule or regulation applicable to the Property;
- (g) there is no basis for and there is no action, suit, judgment, claim, demand or proceeding outstanding or pending, or threatened against or affecting the Property that, if adversely resolved or determined, would have a material adverse effect on the Property (a "**Material Adverse Effect**") and there is no reasonable basis for any claim or action that, based upon the likelihood of its being asserted and its success if asserted, would have such a Material Adverse Effect;
- (h) there are no outstanding agreements or options to acquire the Property or any portion or interest thereof, and no person, firm or corporation, other than the Optionor as expressly set forth in this Agreement, has any proprietary or possessory interest in the Property or any royalty or other interest whatsoever in the production from or profits earned from any of the mineral claims comprising the Property;
- (i) there are no actions, suits, investigations or proceedings before any court, arbitrator, administrative agency or other tribunal or Governmental Authority, whether current, pending or threatened, which directly or indirectly relate to or affect the Property or the interests of the Optionor therein, nor is the Optionor aware of any acts that would lead to suspect that the same might be initiated or threatened;
- (j) the activities directly or indirectly relating to the mineral claims comprising the Property by the Optionor and any other person on behalf of the Optionor has been conducted in compliance with the *Mineral Tenure Act* (British Columbia) and all other applicable laws and the Optionor has not received

any notice and the Optionor is not aware after reasonable inquiry of any breach or violation of any such laws having been alleged;

- (k) to its knowledge, the Property does not contain any hazardous or toxic material, pollution or other adverse environmental conditions that may give rise to any environmental liability under any applicable Environmental Laws, regulations, rules or by-laws, and the Optionor has not received, nor is it aware of any pending or threatened, notice of non-compliance with any Environmental Law, regulation, rule or by-law;
- (l) to its knowledge, during the period in which the Optionor has held its interest in the Property, the Property has been operated in accordance with all applicable Environmental Laws and there are no environmental conditions existing in the Property to which any remedial action is required or any liability has been or may be imposed under applicable Environmental Laws;
- (m) the Optionor has not received from any Governmental Authorities any notice of, or communication relating to, any actual or alleged Environmental Claims, and there are no outstanding work orders or actions required to be taken relating to environmental matters respecting the Property or any operations carried out on the Property;
- (n) the Optionor's ownership of the Property is in compliance with, is not in default or violation in any material respect under, and the Optionor has not been charged with or received any notice at any time of any material violation of any statute, law, ordinance, regulation, rule, decree or other applicable regulation in connection with the Optionor's ownership of its interests in the Property;
- (o) the Optionor has duly filed all reports and returns required to be filed with Governmental Authorities and has obtained all governmental permits and other governmental consents, except as may be required after the execution of this Agreement and all of such permits and consents are in full force and effect, and no proceedings for the suspension or cancellation of any of them, and no investigation relating to any of them, is pending or threatened and none of them will be adversely affected by the entry into this Agreement or the Transaction;
- (p) the Optionor has advised the Optionee of all material information relating to the mineral potential of the Property of which it has knowledge;
- (q) no filing or registration with, no notice to and no permit, authorization, consent, or approval of any public or Governmental Authorities or other person or entity is necessary for the exercise of the Option contemplated by this Agreement or to enable the Optionee to acquire a one hundred percent (100%) undivided legal and beneficial interest in the Property on the exercise of the Option, subject only to the Royalties; and

- (r) there are no mine workings or waste dumps or mine tailings with respect to the Property.
- 2.3 The representations and warranties contained in this Section 2 form a part of this Agreement and are conditions upon which the Optionee has relied upon in entering into this Agreement and shall survive the execution and delivery of this Agreement and the acquisition by the Optionee of any interest in the Property.
- 2.4 The representations and warranties contained in Section 2.2 are provided for the exclusive benefit of the Optionee, and a breach of any one or more representations or warranties 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.
- 2.5 The Optionor further makes the representations and warranties contained in Schedule B.
- 2.6 The representations and warranties contained in Schedule B are provided for the exclusive benefit of the Optionor, and a breach of any one or more representations or warranties 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.
- 2.7 Each Party will indemnify and save the other Parties harmless from all loss, damage, costs, actions and suits arising out of or in connection with any breach of any representation, warranty, covenant, agreement or condition made by that Party and acknowledge that the Parties have entered into this Agreement relying on the warranties and representations and other terms and conditions of this Agreement and that no information which is now known or which may hereafter become known to the Parties relying on such representations and warranties or their officers, directly or through professional advisors, shall limit or extinguish the right to indemnity hereunder.
- 2.8 The Optionor will indemnify and save the Optionee harmless from and against any Environmental Claim suffered or incurred by the Optionee arising directly or indirectly from any operations or activities conducted in or on the Property, whether by the Optionor or others, prior to the date of execution of this Agreement.
- 2.9 The Optionee will indemnify and save the Optionor harmless from and against any Environmental Claim suffered or incurred by the Optionor arising directly or indirectly from any operations or activities conducted in or on the Property, after the date of execution of this Agreement, unless caused by the fault of the Optionor.

3. GRANT AND EXERCISE OF OPTION

- 3.1 Upon and subject to the terms and conditions of this Agreement, and on the Closing Date, the Optionor will grant to the Optionee the Option, in consideration for the cash payments, Payment Shares and work commitments described in Section 3.2 (the

cash payments and Share issuances collectively referred to as the “**Option Payment**”).

- 3.2 The Option will be kept in good standing and exercised by the Optionee:
- (a) issuing to the Optionor 1,500,000 Payment Shares and paying the Optionor \$150,000 on the Closing Date;
 - (b) issuing to the Optionor 1,500,000 Payment Shares and paying the Optionor \$150,000 on or before the first anniversary of the Closing Date; and
 - (c) paying the Optionor \$200,000 and incurring \$1,000,000 in Exploration Expenditures on the Property on or before the second anniversary of the Closing Date, and delivering an Expenditure Certificate providing particulars of such expenditures.

For greater certainty, the Optionee may incur the expenditures and make the payments described above in shorter periods of time than are set out above. Minimum annual expenditures must be incurred in respect of the Property to keep all of the claims in good standing, and the Optionee shall ensure that this requirement is met in planning its exploration activities.

- 3.3 Upon satisfaction of the conditions set out in Section 3.2, the Option will be deemed to be exercised, and a 100% undivided legal and beneficial right, title and interest in the Property will automatically vest in the Optionee, free and clear of all Encumbrances, subject to the Royalty.
- 3.4 The Payment Shares issued to the Optionor will be issued by the Optionee as fully paid and non-assessable common shares of the Optionee, free of any liens, claims or encumbrances other than those created by the Optionor. The issuance of any Payment Shares will be subject to applicable stock exchange approvals. Payment Shares issued to the Optionor will be subject to any resale hold periods which may apply under applicable securities laws or stock exchange policies, and will bear legends to that effect. In the event of a subdivision or consolidation or other capital alteration affecting the Shares, the Payment Shares to be issued following such event will be adjusted on the basis of the other Shares. The Optionee covenants to maintain the listing of its Shares on the TSX Venture Exchange or the Toronto Stock Exchange and to remain a reporting issuer in good standing under the applicable securities laws of British Columbia and Alberta in each case for a period of the later of 12 months following the issuance of any Payment Shares.
- 3.5 Exploration Expenditures shall be deemed to have been incurred by the Optionee when the Optionee has expended funds or has received goods or services from third parties for which the Optionee has obligation to make payment, whether or not payment has been made. A certificate of an officer of the Optionee setting forth the Exploration Expenditures incurred by the Optionee in reasonable detail shall be prima facie evidence of the same (an “**Expenditure Certificate**”) The Optionor shall

be entitled to examine or audit (for which it shall have free access to all relevant information) the Exploration Expenditures.

4. TRANSFER OF PROPERTY, PROPERTY REPORTING AND FILING

4.1 Upon the satisfaction of the conditions set out in Section 3.2:

- (a) the Optionor shall promptly execute and register, or will cause its agents to register, all such effectual and valid transfers of the Property and such other documents as the Optionee or its legal counsel may deem necessary to transfer to the Optionee a 100% undivided legal and beneficial interest in and to the Property free and clear of all Encumbrances, subject to the Royalty;
- (b) the Optionor will provide all assistance necessary to transfer the Property into the name of the Optionee; and
- (c) the Optionor will deliver, or will cause its agents to deliver, to the Optionee all Exploration Data and other information in the possession or control of the Optionor with respect to the Property which have not previously been delivered to the Optionee.

4.2 The Optionor acknowledges and agrees that, upon the exercise of the Option, the Optionee may elect in its sole discretion to hold the title of the Property in a wholly-owned subsidiary. Under such circumstances, the Optionor will transfer the Property into such subsidiary as instructed by the Optionee.

5. RIGHT OF ENTRY

5.1 Throughout the Option Period, the directors and officers of the Optionee and its servants, agents and independent contractors, shall have the sole and exclusive right in respect of the Property to:

- (a) enter thereon;
- (b) have exclusive and quiet possession thereof;
- (c) to the extent that the Optionee in its sole discretion may consider advisable, explore, examine, prospect, investigate, map, survey, mine, develop and carry out commercial production on the Property or any part or parts thereof;
- (d) extract, remove and treat rock, earth, ore and minerals therefrom;
- (e) dump and store materials and waste materials thereon or therein;
- (f) bring upon and erect upon the Property such buildings, plant, machinery and equipment as the Optionee may deem advisable;
- (g) remove therefrom and dispose of reasonable quantities of ores, minerals and metals for the purposes of obtaining assays or making other tests (up to fifty

(50) tons from each mineral claim or crown granted mineral claim comprising the Property); and

- (h) mine, remove and sell for its own benefit any and all ores, minerals and ore products obtained from the Property subject to the Royalties..

5.2 In doing such exploration, development, mining and production work, the Optionee may treat the Property as a group in conjunction with adjoining claims which the Optionee may own and may explore and develop the Property by means of drilling, shaft sinking, cross cutting, drifting and raising, or by any other exploration or development or mining method as recommended by its engineers, geologists and consultants. The Optionee shall have custody, possession and control of all drill cores during the Option Term and upon the termination of this Agreement shall deliver up to the Optionor all such drill cores, together with all assays, geological information, models, maps and reports made prepared or taken in connection with the work conducted, or to be conducted, on the Property pursuant to the terms of this Agreement.

6. DISCOVERY BONUS

In the event of minimum discovery on the Property of an inferred mineral resources of 500,000 ounces or greater of gold (the "**Resource**"), the Optionee will issue to the Optionor 2,000,000 fully paid and non-assessable Shares upon completion of a National Instrument 43-101-compliant technical report demonstrating the Resource. Any Shares issued to the Optionor pursuant to this Section 6 will be subject to resale restrictions under applicable securities laws and Exchange policies.

7. ROYALTY

Following exercise of the Option and upon the Commencement of Commercial Production, the Optionor will be entitled to payment of net smelter return royalty (the "**Royalty**"), which shall be calculated and paid in accordance with the provisions set out in Schedule C. The Optionor may purchase 50% of the Royalty at any time for \$1,000,000, with the result that the Optionor will hold a 1% net smelter return royalty and the Optionee will hold a 1% net smelter return royalty in each case having the terms set out in Schedule C.

8. COVENANTS OF THE OPTIONEE

8.1 The Optionee hereby covenants and agrees with the Optionor that during the Option Period the Optionee shall:

- (a) maintain the Property in good standing by the doing and the filing of assessment work or the making of payments in lieu thereof, by the payment of all rentals, taxes or other governmental charges which shall fall due during the Option Period, and the performance of all other actions which may be necessary in that regard and in order to keep the Property free and clear of all liens and other charges arising from the Optionee's activities thereon except those at the time contested in good faith by the Optionee;

- (b) record as assessment work against the Property all possible exploration work carried out on the Property by the Optionee that qualifies for such recording to the maximum extent or amount as is allowed by the applicable rules or regulations in effect from time to time;
- (c) carry out its operations on the Property in a careful and miner-like manner and in accordance with applicable laws and regulations of British Columbia and Canada;
- (d) properly pay all accounts of every nature and kind for wages, supplies, Workers' Compensation Assessments, income tax deductions and all other accounts and indebtedness incurred by it so that no claim or lien arises thereon or upon the Property, the ores or minerals contained therein and it will indemnify the Optionor and save it harmless from any and all loss, costs, actions, suits, damages or claims which may be made against the Optionor in respect of the operations on the Property, provided however, that the Optionee shall have the right to contest the validity of any such lien or claim of lien;
- (e) maintain and keep true and correct records of all production from the Property and disposition thereof and of all costs and expenditures incurred as well as all other data necessary or proper for the settlement of accounts between the Parties hereto in connection with their rights and obligations under this Agreement and such records shall be open at all reasonable times upon reasonable notice for inspection by the Optionor or a duly authorized representative of the Optionor;
- (f) allow the Optionor, or its agent or representative duly authorized in writing, at its own expense, to inspect the Property, at all reasonable times and intervals, and data obtained by the Optionee as a result of operations thereon, upon the Optionor giving the Optionee 48 hours prior written notice, provided always that the Optionor or any such agent or representative shall not interfere with the Optionee's activities on the Property, the Optionor or any such agent or representative shall abide by the rules and regulations laid down by the Optionee relating to matters of safety and efficiency in its operations and, notwithstanding, the Optionee shall be under no liability to the Optionor or their agent or representative, and the Optionor shall indemnify the Optionee, for any personal injury, including death, or any loss or damage to property arising from their inspection of the Property, however caused;
- (g) obtain all necessary environmental permits prior to commencing operations on the Property and be responsible for any environmental assessments made by any Governmental Authorities as a result of operations on the Property;
- (h) deliver to the Optionor, forthwith upon receipt thereof, copies of all reports (including assessment reports detailing the exploration work and Exploration Expenditures incurred in respect of the Property), maps, assay results and

other technical data compiled by or prepared at the direction of the Optionee with respect to the Property;

- (i) not undertake any consolidations of its Shares during the six months following any issuance of Payment Shares

8.2 The Optionee hereby covenants and agrees with the Optionor that upon the termination of this Agreement it will leave the Property in a safe condition and free of any known environmental problems or Environmental Changes, in accordance with applicable statutes and regulations and will deliver to the Optionor, forthwith, copies of all reports, maps, assay results and other technical data compiled by or prepared at the direction of the Optionee with respect to the Property that have not previously been delivered to the Optionor.

9. RESTRICTIVE COVENANTS

9.1 During the Option Period, the Optionor will not, without the prior written consent of the Optionee, allow the Property to become subject to any Encumbrance of any nature or kind whatsoever or enter into any agreement (whether written or verbal) that may result in the creation of any such Encumbrance or otherwise restrict in any manner whatsoever the exercise of the Option by the Optionee or the rights of the Optionee to the Property as contemplated by this Agreement.

10. NECESSARY CONSENTS

10.1 Each of the Optionor and the Optionee shall use its best efforts to obtain from its directors and shareholders, as applicable, and all appropriate federal, provincial, municipal or other Governmental Authorities such approvals or consents as are required (if any) to complete the Transaction.

11. PUBLIC ANNOUNCEMENT

11.1 Immediately after the execution of this Agreement, the Optionee will issue a public announcement, announcing the entry into this Agreement, which announcement shall address all matters required by the Exchange policies and shall be in form and substance acceptable to the Optionee and the Optionor, acting in a commercially reasonable manner. No Party shall issue any news release or public statements inconsistent with such public announcement.

12. MUTUAL CONDITIONS PRECEDENT

12.1 The obligation of the Optionor to grant the Option on the Closing Date shall be subject to the prior completion of the following conditions:

- (a) the Exchange will have given final acceptance of the Transaction;
- (b) there will not be in force any order or decree restraining or enjoining the grant of the Option; and

- (c) all consents, orders and approvals required, necessary or desirable for the completion of the Transaction shall have been obtained or received from the persons, authorities or bodies having jurisdiction in the circumstances, all on terms satisfactory to each of the Parties hereto, acting reasonably, including without limitation the approval of the TSX Venture Exchange and the approval of the Optionee's board of directors.

13. OPTIONOR'S CONDITIONS PRECEDENT

13.1 The obligation of the Optionor to consummate the Transaction on the Closing Date shall be subject to the prior completion of the following conditions:

- (a) the representations and warranties of the Optionee contained in this Agreement will have been true and correct as of the date of this Agreement and shall be true and correct as of the Closing Date with the same force and effect as if such representations and warranties had been made on and as of such Closing Date, save and except in any case which would not have a Material Adverse Effect; and
- (b) the Optionee will have performed, fulfilled or complied with, in all material respects, all of its obligations, covenants and agreements contained in this Agreement to be fulfilled or complied with by the Optionee at or prior to the Closing Date.

14. OPTIONEE'S CONDITIONS PRECEDENT

14.1 The obligation of the Optionee to consummate the Transaction on the Closing Date shall be subject to the prior completion of the following conditions:

- (a) the representations and warranties of the Optionor contained in this Agreement will have been true and correct as of the date of this Agreement and shall be true and correct as of the Closing Date with the same force and effect as if such representations and warranties had been made on and as of such Closing Date, save and except in any case which would not have a Material Adverse Effect;
- (b) the Optionor will have performed, fulfilled or complied with, in all material respects, all of its obligations, covenants and agreements contained in this Agreement to be fulfilled or complied with by the Optionor at or prior to the Closing Date; and
- (c) the Optionee shall have completed its due diligence investigations respecting the Property to its satisfaction.

15. CLOSING

15.1 The Closing will take place on the Closing Date at the offices of the counsel for the Optionee or at such other location as agreed to by the Parties. Notwithstanding the

location of the Closing, each Party agrees that the Closing may be completed by the exchange of undertakings between the respective legal counsel for the Parties, provided such undertakings are satisfactory to each Party's respective legal counsel.

16. CLOSING DELIVERIES OF THE OPTIONOR

16.1 At Closing, the Optionor will deliver or cause to be delivered the following, duly executed and in the form and substance reasonably satisfactory to the Optionee:

- (a) all information in the possession or control of the Optionor with respect to the Property (including the Exploration Data), which has not been previously delivered to the Optionee;
- (b) a certificate of a senior officer of the Optionor attesting that:
 - (i) the representations and warranties of the Optionor are true and correct at the Closing Date as if made at that time,
 - (ii) all agreements, covenants and conditions required by this Agreement to be complied with or performed by the Optionor on or before the Closing Date have been complied with or performed, and
 - (iii) all conditions precedent to the obligations of the Optionor contained in this Agreement have been satisfied or waived; and
- (c) such other closing documents as may be required by the Optionee, acting reasonably.

17. CLOSING DELIVERIES OF THE OPTIONEE

17.1 At Closing, the Optionee will deliver or cause to be delivered the following, duly executed and in the form and substance reasonably satisfactory to the Optionor:

- (a) a share certificate for 1,500,000 shares of the Optionor registered in the name of the Optionor;
- (b) a bank draft payable to the Optionor in the amount of \$150,000;
- (c) reasonable evidence that the Exchange has given final approval of the Transaction;
- (d) a certificate of a senior officer of the Optionee attesting that:
 - (i) the representations and warranties of the Optionee are true and correct at the Closing Date as if made at that time;
 - (ii) all agreements, covenants and conditions required by this Agreement to be complied with or performed by the Optionee on or before the Closing Date have been complied with or performed; and

- (iii) all conditions precedent to the obligations of the Optionee contained in this Agreement have been satisfied or waived; and
- (e) such other closing documents as may be required by the Optionor, acting reasonably.

18. NOTIFICATION

18.1 During the Option Period, each of the Parties will promptly notify the other Parties in writing if, after the date of this Agreement, it becomes aware of:

- (a) any fact or condition that causes or constitutes a material breach of any of its representations and warranties;
- (b) the occurrence, after the date of this Agreement, of any fact or condition that would cause or constitute a material breach of any such representation or warranty had such representation or warranty been made as of the time of occurrence or discovery of such fact or condition; or
- (c) the occurrence of any material breach of any of its covenants in this Agreement or of the occurrence of any event that may make the satisfaction of such conditions impossible or unlikely.

19. CONFIDENTIAL INFORMATION

19.1 No information furnished by the Optionee to the Optionor hereunder in respect of the activities carried out on the Property by the Optionee, or related to the sale of minerals, ore, bullion or other product derived from the Property, shall be published or disclosed by the Optionor without the prior written consent of the Optionee, but such consent in respect of the reporting of factual data shall not be unreasonably withheld, and shall not be withheld in respect of information required to be publicly disclosed pursuant to applicable securities or corporation laws, regulations or policies.

20. SURRENDER OF PROPERTY INTEREST

20.1 The Optionee may at any time elect to abandon its interest in the Property or in any one or more mineral claims comprising the Property and in this Agreement by giving notice to the Optionor of any such intention, provided that:

- (a) all obligations of the Optionee under this Agreement which are required to be satisfied on or before the date of the notice of abandonment have been satisfied; and
- (b) the requisite assessment work has been recorded and filed for the Property in order to keep the Property or any part thereof so abandoned in good standing for twenty-four (24) months after the date of such abandonment.

21. TRANSFER OF PROPERTY INTEREST

21.1 The Optionor (the "**Transferring Party**") may at any time sell, transfer or otherwise dispose of all, but not any portion, of its interest in and to the Property and this Agreement, provided that:

- (a) the obligations of the Optionor hereunder shall continue unless released in writing by the Optionor; and
- (b) any purchaser, assignee or transferee of any such interest shall have first delivered to the Optionee its agreement binding itself to this Agreement and containing:
 - (i) a covenant by such transferee to perform all the obligations of the transferring party to be performed under this Agreement in respect of the interest to be acquired by it from the transferring party; and
 - (ii) a provision subjecting any further sale, transfer or other disposition of such interest in the Property and this Agreement or any portion thereof to the restrictions contained in this Section.

22. TERMINATION PRIOR TO ACQUISITION OF INTEREST

22.1 If this Agreement is terminated before the Option is earned, the Optionee shall:

- (a) at the Optionee's own expense leave the Property, free and clear of all liens and encumbrances, and in good standing with respect to the performance of assessment work for a period of twelve months following such termination;
- (b) deliver to the Optionor immediately following such termination copies of all reports, maps, drill logs, assay results and any other relevant technical data compiled by the Optionee and any and all core, samples and other materials with respect to the Property;
- (c) remove from the Property, within three months of the effective date of termination, all mining facilities erected, installed or brought upon the Property by or at the instance of the Optionee, and any mining facilities remaining on the Property after the expiration of the said period shall, without compensation to the Optionee, become the property of the Optionor unless the Optionor disclaims any such mining facilities, in which event such mining facilities may be removed by the Optionor at the Optionee's expense; and
- (d) pay or issue to the Optionor the full amount of the Option Payment set out in Section 3.2 that has accrued prior to the date of termination and has not been paid or issued.

23. TERMINATION

This Agreement and the Option granted under this Agreement shall be terminable by the Optionor by notice in writing to the Optionee if the Optionee should be in default in performing any of its obligations hereunder and has failed to take reasonable steps to cure such default within 30 days after the receipt of a notice of default by the Optionor, save and except for payment of Option Payments and failure to obtain acceptance of this Agreement by the Exchange in respect of which there shall be no right to cure and no curative period.

24. TERMINATION NOTICE

24.1 Until such time as the Optionee has exercised the Option by satisfying the obligations set out in Section 3.2, this Agreement shall be an option only and:

- (a) subject to Section 8.2, the Optionee may terminate the Agreement upon the expiration of thirty (30) days prior notice in writing to the Optionor for any reason whatsoever, provided that:
 - (i) all obligations of the Optionee under this Agreement which are required to be satisfied on or before the date of the notice of abandonment have been satisfied; and
 - (ii) the requisite assessment work has been recorded and filed for the Property in order to keep the Property or any part thereof so abandoned in good standing for twenty-four (24) months after the date of such abandonment; and
- (b) the Optionor may terminate the Agreement upon the expiration of thirty (30) days prior notice in writing to the Optionee of a material breach of any condition or covenant herein contained on the part of the Optionee to be observed or performed if such breach has not theretofore been remedied.

25. DEFAULT

25.1 Notwithstanding anything in this Agreement to the contrary, if the Optionee or the Optionor (each referred to as a "**defaulting party**") should be in default of any requirement herein set forth, the non-defaulting party may give written notice to the defaulting party specifying the default and the defaulting party shall not lose any right granted under this Agreement unless within thirty (30) days after the giving of notice of default by the other party, the defaulting party has failed to cure any such default, in which event this Agreement may be terminated by the non-defaulting party, subject however to the obligation to deliver materials relating to the Property to the Optionor as set out in Section 8.2.

26. FORCE MAJEURE

26.1 If the Optionee is prevented from or delayed in complying with any provisions of this Agreement by reasons of strikes, labour disputes, lockouts, labour shortages,

power shortages, fires, wars, acts of God, governmental regulations restricting normal operations or any other reason or reasons beyond the control of the Optionee, the time limited for the performance of the various provisions of Agreement as set out herein shall be extended by a period of time equal in length to the period of such prevention and delay.

- 26.2 The Optionee, insofar as is possible shall promptly give written notice to the Optionor of the particulars of the reasons for any prevention or delay under this Section and shall take all necessary steps to remove the cause of such prevention or delay and shall give written notice to the Optionor as soon as such cause ceases to exist.

27. ARBITRATION

- 27.1 Disputes between the parties arising out of or in connection with this Agreement or its interpretation, will be settled in accordance with this Section. If amicable settlement cannot be reached within thirty (30) days following written notice by one Party to the other Party of the existence of any such dispute, the matter will be submitted to binding arbitration in accordance with the provisions of this Section.

- 27.2 Following the expiry of the thirty (30) day notice period, either Party may refer any matter to arbitration by written notice to the other and, within fifteen (15) days after receipt of such notice, the Parties will agree on the appointment of an arbitrator. No person will be appointed as an arbitrator hereunder unless such person agrees in writing to act.

- 27.3 If the Party cannot agree on a single arbitrator as provided in paragraph 27.2 either Party may submit the matter to arbitration (before a single arbitrator) in accordance with the *Commercial Arbitration Act* (British Columbia) (the "Act").

- 27.4 Except as specifically provided in this Section, an arbitration hereunder will be conducted in accordance with the Act. The arbitrator will fix a time and place in Vancouver, British Columbia for the purpose of hearing the evidence and representations of the parties and he will preside over the arbitration and determine all questions of procedure not provided for under such Act or this Section. After hearing any evidence and representations that the Parties may submit, the arbitrator will make an award and reduce the same to writing and deliver one copy thereof to each of the Parties. The decision of the arbitrator will be made within thirty (30) days after his appointment, subject to any reasonable delay due to unforeseen circumstances. The expense of the arbitration will be paid as specified in the award. The Parties agree that the award of the single arbitrator will be final and binding upon each of them and will not be subject to appeal.

28. EXPENSES OF PARTIES

- 28.1 Each party to this Agreement will bear its own expenses in respect of this transaction. Notwithstanding the foregoing, the Optionee will pay the reasonable

legal expenses of the Optionor incurred in connection with the preparation of this Agreement.

29. NOTICE

29.1 Any notice, direction or other communication required or permitted to be given under this Agreement will be in writing and will be given by personal delivery or by prepaid registered or certified mail or by facsimile or other form of electronic communication, in each case addressed as follows:

(a) if to the Optionor:

Durango Resources Inc.
248 - 515 West Pender Street
Vancouver, BC, V6B 6H5
Attention: Marcy Kiesman
email: durangoresourcesinc@gmail.com

(b) if to the Optionee:

BonTerra Resources Inc.
Suite 510, 744 West Hastings Street
Vancouver, BC, V6C 1A1
Attention: Nav Dhaliwal
email: nav@bonterraresources.com

29.2 Any notice, direction or other communication will, if delivered or mailed, be deemed to have been given and received on the day it is received by the recipient, and if sent by facsimile or other form of electronic communication, will be deemed to have been given and received on the next Business Day following the date on which it was so received by the recipient.

29.3 Any party may at any time give to the other party notice in writing of any change of address of the party giving such notice and from and after the giving of such notice, the address or addresses therein specified will be deemed to be the address of such party for the purpose of giving notice under this Agreement.

30. ADDITIONAL TERMS

30.1 The parties agree that the Optionor may assign any or all of its rights or obligations under this Agreement to any Affiliate of the Optionor. Such assignment shall not relieve the Optionor from performing its obligations hereunder should the Optionor fail to do so following such assignment. The Optionee may not assign any right or obligations under this Agreement without the prior written consent of the Optionor, except as provided in Section 8 of the Royalty Agreement.

30.2 The terms of this Agreement shall be construed in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein.

- 30.3 This Agreement shall enure to the benefit of and be binding upon the parties hereto, and their administrators, successors and permitted assigns, as the case may be.
- 30.4 Each of the Parties hereto agrees to execute such further and other deeds, documents and assurances and to do such further and other acts as may be necessary to carry out the true intent and meaning of this Agreement, fully and effectually.
- 30.5 This Agreement shall supersede and replace any other agreement or arrangement, whether oral or written heretofore existing between the Parties hereto in respect of the subject matter of this Agreement.
- 30.6 This Agreement may be executed in several parts in the same form and such parts as so executed shall together form one original agreement, and such parts, if more than one, shall be read together and construed as if all the signing parties hereto had executed one copy of this Agreement. Delivery of an executed counterpart of this Agreement by electronic means, including by facsimile transmission or by electronic delivery in portable document format (“pdf.”), shall be equally effective as delivery of a manually executed counterpart hereof. The Parties acknowledge and agree that in any legal proceedings between them respecting or in any way relating to this Agreement, each waives the right to raise any defense based on the execution hereof in counterparts or the delivery of such executed counterparts by electronic means.
- 30.7 Words used herein importing the singular number only shall include the plural and vice versa, and words importing the masculine gender shall include the feminine and neuter genders and vice versa, and words importing persons shall include firms and corporations.
- 30.8 Time is hereby expressly made of the essence with respect to the performance by the Parties of their respective obligations under this Agreement.
- 30.9 Nothing contained in this Agreement shall cause a Party to be a partner, agent or legal representative of any other Party. It is intended that this Agreement shall not create the relationship of a partnership among the Parties and that no act done by any Party pursuant to the provisions hereof shall operate to create such a relationship.
- 30.10 All reference to monies hereunder are to Canadian dollars and all payments to be made to any Party hereunder may be made by certified cheque or bank draft mailed or delivered to such Party at its address for notice purposes as provided herein, or for the account of such Party at such bank or banks in Canada as such Party may designate from time to time by written notice. Said bank or banks shall be deemed to be the agent of the designating Party for the purpose of receiving, collecting and receipting such payment.
- 30.11 The headings of this Agreement are for convenience only and do not form a part of this Agreement and are not intended to affect the construction of anything herein contained or govern the rights and liabilities of the parties.

- 30.12 If anyone or more of the provisions contained herein should be invalid, unenforceable or illegal in any respect in any jurisdiction, the validity, legality and enforceability of such provision shall not in any way be affected or impaired thereby in any other jurisdiction and the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be effected or impaired thereby.
- 30.13 This Agreement may not be changed orally but only by an agreement in writing, duly executed by the Party or Parties against which enforcement, waiver, change, modification or discharge is sought.

[SIGNATURES ON FOLLOWING PAGE]

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

DURANGO RESOURCES INC.

Per: "Marcy Kiesman"

Marcy Kiesman, President & CEO

BONTERRA RESOURCES INC.

Per: "Nav Dhaliwal"

Schedule A

PROPERTY DESCRIPTION

The Property is comprised of the following mineral claims located in Quebec, Canada:

NTS Sheet	Cell Number	Expiry Date	Size (Ha)
SNRC 32B13	2226803	5/3/2018	56.62
SNRC 32B13	2226804	5/3/2018	56.61
SNRC 32B13	2226805	5/3/2018	56.61
SNRC 32B13	2226806	5/3/2018	56.61
SNRC 32B13	2226807	5/3/2018	56.61
SNRC 32B13	2226808	5/3/2018	56.6
SNRC 32B13	2226809	5/3/2018	56.6
SNRC 32B13	2226810	5/3/2018	56.6
SNRC 32B13	2226811	5/3/2018	56.59
SNRC 32B13	2226812	5/3/2018	56.59
SNRC 32B13	2226813	5/3/2018	56.58
SNRC 32B13	2226814	5/3/2018	56.58
SNRC 32B13	2226815	5/3/2018	56.58
SNRC 32B13	2226816	5/3/2018	56.58
SNRC 32B13	2226817	5/3/2018	56.58
SNRC 32B13	2226819	5/3/2018	56.57
SNRC 32B13	2226820	5/3/2018	56.57
SNRC 32B13	2226821	5/3/2018	56.57
SNRC 32B13	2226822	5/3/2018	56.57
SNRC 32B13	2226823	5/3/2018	56.57
SNRC 32B13	2226824	5/3/2018	56.57

21 cells

Schedule B

ADDITIONAL REPRESENTATIONS AND WARRANTIES OF THE OPTIONEE

The Optionee represents and warrants to the Optionor, and acknowledges that the Subscriber is relying upon such representations and warranties, in connection with the grant of the Option, that:

- (a) the Optionee's only material subsidiaries are Symphony Resources Ltd., and 0819904 B.C. Ltd. (the "**Subsidiaries**"). The Optionee holds all of the issued and outstanding shares of each of the Subsidiaries in each case free and clear of all mortgages, liens, charges, pledges, security interests, encumbrances, claims or demands of any kind whatsoever, all of such shares have been duly authorized and validly issued and are outstanding as fully paid and non-assessable shares and no person has any right, agreement or option, present or future, contingent or absolute, or any right capable of becoming a right, agreement or option, for the purchase from the Optionee of any interest in any of such shares or for the issue or allotment of any unissued shares in the capital of the Subsidiaries, as the case may be or any other security convertible into or exchangeable for any such shares;
- (b) no proceedings have been taken, instituted or, to the knowledge of the Optionee, are pending for the dissolution or liquidation of the Optionee or the Subsidiaries;
- (c) each of the Optionee and the Subsidiaries are, in all material respects, conducting their business in compliance with all applicable laws, rules and regulations (including all material applicable federal, provincial, municipal, and local environmental anti-pollution and licensing laws, regulations and other lawful requirements of any governmental or regulatory body, including but not limited to relevant exploration, concessions and permits) of each jurisdiction in which its business is carried on and is licensed, registered or qualified in all jurisdictions in which it owns, leases or operates its property or carries on business to enable its business to be carried on as now conducted and its property and assets to be owned, leased and operated and all such licences, registrations and qualifications are valid, subsisting and in good standing, except in respect of matters which do not and will not result in any adverse material change to the business, business prospects, management, consolidated financial position, shareholders equity or condition of the Optionee and the Subsidiaries on a consolidated basis and except where the failure to be so qualified or the absence of any such license, registration or qualification does not and will not have an adverse effect on its assets, properties, business, results of operations, prospects, management, consolidated financial position, shareholders equity or condition ("**Material Adverse Effect**") and it has not received a notice of non-compliance, nor knows of, nor has reasonable grounds to know of, any facts that could give rise to a notice of non-compliance with any such laws, regulations or permits which could have a Material Adverse Effect on the Optionee or the Subsidiaries on a consolidated basis and will at the Closing Time be valid, subsisting and in good standing;

- (d) at the Closing Time, all consents, approvals, permits, authorizations or filings, within the Optionee's control, as may be required under applicable securities laws necessary for the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby and thereby have been made or obtained, as applicable, other than filings required to be submitted within the applicable time frame pursuant to applicable securities laws;
- (e) the authorized capital of the Optionee consists of an unlimited number of Shares, of which 157,411,619 are issued and outstanding as fully paid and non-assessable Common Shares and a further 19,308,096 Shares are issuable upon exercise of outstanding common share purchase warrants and a further 5,500,000 Common Shares are issuable upon exercise of outstanding options to purchase common shares as of the Effective Date;
- (f) the Optionee is not aware of any legislation, or proposed legislation published by a legislative body, which it anticipates will materially and adversely affect the business, affairs, operations, assets, liabilities (contingent or otherwise) or prospects of the Optionee or the Subsidiaries;
- (g) the currently issued and outstanding Shares are listed and posted for trading on the TSXV and no order ceasing or suspending trading in any securities of the Optionee or prohibiting the sale of the Common Shares or the trading of any of the Optionee's issued securities has been issued and no proceedings for such purpose has been threatened or, to the best knowledge of the Optionee, are pending;
- (h) the Optionee is currently in material compliance with the rules and regulations of the TSXV;
- (i) the audited financial statements of the Optionee for the fiscal year ended May 31, 2016 and the unaudited financial statements for the six month period ended November 30, 2016 (the "**Financial Statements**") present fairly, in all material respects, the financial condition of the Optionee, for the period then ended and have been prepared in accordance with Canadian generally accepted accounting principles and no material adverse change in the Optionee's financial position has occurred since the date of the Financial Statements;
- (j) except as disclosed in the Public Disclosure Documents:
 - (i) there has not been any material change in the assets, liabilities, obligations (absolute, accrued, contingent or otherwise), business, condition (financial or otherwise) or results of operations of the Optionee and the Subsidiaries on a consolidated basis since the date of the Financial Statements;
 - (ii) there has not been any material change in the capital stock or long-term debt of the Optionee and the Subsidiaries on a consolidated basis since the date of the Financial Statements; and

- (iii) the Optionee and the Subsidiaries have carried on their respective businesses in the ordinary course and in compliance with applicable laws;
- (k) there are no actions, proceedings or investigations (whether or not purportedly by or on behalf of the Optionee or the Subsidiaries) threatened against or affecting the Optionee or the Subsidiaries or property or assets of the Optionee or the Subsidiaries or to the best knowledge of the Optionee pending against the Optionee or the Subsidiaries at law or in equity (whether in any court, arbitration or similar tribunal) or before or by any federal, provincial, state, municipal or other governmental department, commission, board or agency, domestic or foreign;
- (l) there are no judgments against the Optionee or the Subsidiaries, which are unsatisfied, nor are there any consent decrees or injunctions to which the Optionee or the Subsidiaries is subject;
- (m) the Optionee is a “reporting issuer” in the Provinces of British Columbia and Alberta;
- (n) the auditors of the Optionee are independent public accountants as required by the applicable securities laws;
- (o) the information contained in the Public Disclosure Documents is true and correct in all material respects as at the date of the filing;
- (p) there has never been a “reportable event” (within the meaning of National Instrument 51-102 of the Canadian Securities Administrators) with the present or any former auditor of the Optionee;
- (q) all taxes (including income tax, capital tax, payroll taxes, employer health tax, workers’ compensation payments, property taxes, custom and land transfer taxes), duties, royalties, levies, imposts, assessments, deductions, charges or withholdings and all liabilities with respect thereto including any penalty and interest payable with respect thereto (collectively, “Taxes”) due and payable by the Optionee and the Subsidiaries have been paid except for where the failure to pay such taxes would not constitute an adverse material fact of the Optionee or the Subsidiaries or result in a Material Adverse Effect. All tax returns, declarations, remittances and filings required to be filed by the Optionee and the Subsidiaries have been filed with all appropriate governmental authorities and all such returns, declarations, remittances and filings are complete and accurate and no material fact or facts have been omitted therefrom which would make any of them misleading except where the failure to file such documents would not constitute an adverse material fact of the Optionee or the Subsidiaries or result in a Material Adverse Effect. To the best of the knowledge of the Optionee, no examination of any tax return of the Optionee or the Subsidiaries is currently in progress and there are no issues or disputes outstanding with any governmental authority respecting any taxes that have been paid, or may be payable, by the Optionee or the Subsidiaries, in any case, except where such examinations, issues or disputes would not constitute an adverse material fact of the Optionee or the Subsidiaries or result in a Material Adverse Effect;

- (r) each of the Optionee and the Subsidiaries is in material compliance with all applicable federal, provincial, state, municipal and local laws, statutes, ordinances, by-laws and regulations and orders, directives and decisions rendered by any ministry, department or administrative or regulatory agency, domestic or foreign, including laws, ordinances, regulations or orders, relating to the protection of the environment, occupational health and safety or the processing, use, treatment, storage, disposal, discharge, transport or handling of any pollutants, contaminants, chemicals or industrial, toxic or hazardous wastes or substances;
- (s) the Subsidiaries hold either freehold title, mining leases, mining claims, option agreements, exploration and exploitation permits or other conventional property, proprietary or contractual interests or rights, recognized in the jurisdiction in which a particular property is located in respect of the ore bodies and minerals located in properties in which it has an interest as described in the Public Disclosure Documents under valid, subsisting and enforceable title documents or other recognized and enforceable agreements or instruments in accordance with industry recognized standards, sufficient to permit the Subsidiaries to access the property and explore the minerals relating thereto; all such property, leases or claims and all property, leases or claims in which the Subsidiaries have any interests or right have been validly located and recorded in accordance with all applicable laws and are valid and subsisting; the Subsidiaries have all necessary surface rights, access rights and other necessary rights and interests relating to the properties in which the Subsidiaries have an interest as described in the Public Disclosure Documents granting the Subsidiaries the right and ability to access the property and explore for minerals for development purposes as are appropriate in view of their respective rights and interests therein, with only such exceptions as do not materially interfere with the access and use by the Subsidiaries, of the rights or interests so held and each of the proprietary interests or rights and each of the documents, agreements and instruments and obligations relating thereto referred to above are currently in good standing in the name of the relevant Subsidiary;
- (t) any and all of the agreements and other documents and instruments pursuant to which the Optionee or the Subsidiaries hold their respective property and assets (including any option agreement or any interest in, or right to earn an interest in, any property) are valid and subsisting agreements, documents or instruments in full force and effect, enforceable in accordance with the terms thereof, neither the Optionee nor the Subsidiaries is in default of any of the material provisions of any such agreements, documents or instruments, nor has any such default been alleged. None of the properties (or any option agreement or any interest in, or right to earn an interest in, any property) of the Optionee or the Subsidiaries are subject to any right of first refusal or purchase or acquisition rights;
- (u) there are no claims with respect to native or aboriginal rights currently threatened or, to the best of the Optionee's or the Subsidiaries' knowledge, are pending with respect to any of the material properties of the Optionee and the Subsidiaries;

- (v) the Optionee is in compliance with the provisions of NI 43-101 and has filed all technical reports required thereby;
- (w) neither the Optionee, the Subsidiaries, nor any of their respective officers, directors or employees acting on behalf of the Optionee or any of the Subsidiaries has taken, committed to take or been alleged to have taken any action which would cause the Optionee or any of the Subsidiaries to be in violation of the United States' Foreign Corrupt Practices Act (and the regulations promulgated thereunder), the *Corruption of Foreign Public Officials Act* (Canada) (and the regulations promulgated thereunder) or any applicable law of similar effect of another jurisdiction, and to the knowledge of the Optionee no such action has been taken by any of its agents, representatives or other Persons acting on behalf of the Optionee or any of the Subsidiaries;
- (x) except as disclosed in the Public Disclosure Documents and pursuant to the Proposed Transaction, there are no current contracts, commitments, agreements, arrangements or other transactions (including relating to indebtedness by the Optionee or the Subsidiaries) between the Optionee or any of the Subsidiaries on the one hand, and any: (a) officer or director of the Optionee or any of the Subsidiaries; (b) any holder of record or, to the knowledge of the Optionee, beneficial owner of ten percent or more of the voting securities of the Optionee; or (c) any affiliate or associate of any officer, director or beneficial owner, on the other hand;
- (y) no property or asset of the Optionee or the Subsidiaries has been taken or expropriated by any governmental entity nor has any notice or proceeding in respect thereof been given or commenced nor, to the knowledge of the Optionee, is there any intent or proposal to give any such notice or to commence any such proceeding;
- (z) the Optionee and the Subsidiaries have conducted all work on or with respect to the properties in which it has an interest as disclosed in the Public Disclosure Documents in a manner consistent with good exploration, engineering and mining practices and in compliance with applicable laws;
- (aa) the Optionee maintains internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles and includes policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Optionee and the Subsidiaries; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with Canadian generally accepted accounting principles, and that receipts and expenditures of the Optionee and the Subsidiaries are being made only with authorizations of management and directors of the Optionee and its Subsidiaries, as applicable; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition or disposition of the assets of the Optionee or the Subsidiaries that could have a material effect on its financial statements. To the knowledge of the Optionee, prior to the date of this Agreement: (x) there are no significant deficiencies in the design or operation of, or material weaknesses in, the

internal controls over financial reporting of the Optionee that are reasonably likely to adversely affect the ability of the Optionee to record, process, summarize and report financial information; and (y) there is no fraud, whether or not material, that involves management or other employees who have a significant role in the internal control over financial reporting of the Optionee;

- (bb) as of the date of this Agreement, the Optionee is not in default or breach in any material respect of any contract, document, lease or other instrument to which it is a party or by which it may be bound as would not, individually or in the aggregate, have a Material Adverse Effect and there exists no state of facts which after notice or the passage of time, or both, would constitute such a default or breach and all such contracts, documents, leases and other instruments are now in good standing in all material respects and the Optionee is entitled to all of its benefits, rights and privileges thereunder in accordance with the terms thereof;

Schedule C

NET SMELTER RETURN ROYALTY

1. **Calculation of Net Smelter Returns Royalty.** The Net Smelter Returns Royalty payable to a party (for the purposes of this Schedule C, the “**Royalty Owner**”) shall be equal to two percent (2%) of the Net Smelter Revenue (as defined herein) derived from the Properties (as such term is defined in the Option Agreement) and any AOI Tenures collectively the “**Royalty Properties**”), and shall be paid by the Optionor and any subsequent owner of the Royalty Properties (for the purposes of this Schedule C, the “**Producer**”).

The Net Smelter Revenue shall be equal to Gross Revenue (as defined herein) less Allowable Deductions (as defined herein).

2. **Payment of Net Smelter Returns Royalty.** Timing of Net Smelter Returns Royalty payments (for the purposes of this Schedule C, the “**Royalty**”) and payment procedures shall be as follows:

- (a) Net Smelter Revenue shall be determined calendar monthly. The Royalty shall be paid on a calendar quarter basis and shall be comprised of the aggregate of the Royalty determined for each month of such calendar quarter. The Royalty shall be paid on the 60th day following the last day of the calendar quarter (or if such day is not a Business Day, the next Business Day) in which the same accrued (the “**Payment Date**”). At the time of payment of the Royalty, the Producer shall deliver to the Royalty Owner a statement showing in reasonable detail: the quantities and grades of the Products produced and sold by the Producer or its Affiliates for each month in the preceding quarter and the amount actually received by the Producer or its Affiliates for such sales; Allowable Deductions (defined below); and other pertinent information in reasonable detail to explain the calculation of the Royalty with respect to each month of each quarter;
- (b) payment of the Royalty to the Royalty Owner shall be made in U.S. dollars by cheque on the Payment Date or upon not less than forty eight (48) hours prior written notice from the Royalty Owner (but no earlier than the Payment Date), by wire transfer, to an account specified by the Royalty Owner in such notice;
- (c) all payments of Royalty shall be considered final and in full satisfaction of all obligations of the Producer with respect thereto (absent fraud), unless the Royalty Owner gives the Producer written notice describing and setting forth a specific objection to the calculation thereof within six (6) months after the end of the calendar year in which the calendar quarter for which the payment was made occurs;
- (d) the Royalty Owner shall have the right, upon reasonable notice and at reasonable times, to have the Producer’s accounts and records relating to the

calculation of the Royalty with respect to any period in question audited by an independent chartered accountant. If such audit determines that there has been a deficiency or an excess in the payment made to the Royalty Owner such deficiency or excess shall be resolved pursuant to Section 2(e) of this Schedule C. The Royalty Owner shall pay all costs of such audit, unless the audit determines that the Royalty Owner has been underpaid by more than 5% of the amount actually owed, in which case the Producer shall pay all costs of such audit. Any claim for adjustment arising from an audit shall be subject to the time limit set forth in Section 2(c) of this Schedule C; and

- (e) in the event the Royalty Owner has been underpaid, the Producer shall pay the amount of the deficiency within 10 days after such deficiency has been determined. If the Royalty Owner has been overpaid, the Producer shall reduce subsequent Royalty payments as necessary to bring the Royalty Owner's Royalty into balance.
3. **Commingling.** The Producer may commingle or permit commingling of ores from the Royalty Properties or mineral bearing products obtained after the treatment thereof ("**Commingling Product**") with such ores or products from other properties. The Producer shall give written notice to the Royalty Holder prior to such commingling. Before any Commingling Product is commingled with Minerals from any other properties, the Commingling Product shall be measured and sampled in accordance with sound mining and metallurgical practices for moisture, metal, mineral and other appropriate content and penalty substances of the Commingling Product. Representative samples of the Commingling Product and the results of the measuring and sampling (including penalty substances) shall be retained by the Producer. From this information, the Producer shall determine the quantity of the Commingling Product subject to the Royalty notwithstanding that the Commingling Product has been commingled with Minerals from other properties. The Royalty Owner shall have the right to conduct inspections of the Producer's operations and properties, and to inspect and copy all records, related to the determination of such mineral content in the Commingled Product. Following the expiration of the period for objections described above in Section 2(c), and absent timely objection, if any, made by the Royalty Owner, the Producer may dispose of the materials and data required to be kept and produced by this Section.
4. **Hedging Activities.** The gross proceeds actually received by the Producer or any of its Affiliates from the sale of Products (the "**Gross Value**") shall be determined in respect of Products regardless of any actual hedging or price protection arrangements ("**Hedging Activities**") entered into by the Producer or its Affiliates with respect to production thereof from the Royalty Properties including, but not limited to, forward sales, futures trading or commodity options trading, and any other price hedging, price protection, and speculative arrangements on or off commodity exchanges that may involve the possible delivery of Products produced from the Royalty Properties. Such Hedging Activities, and the profits and losses generated from the Hedging Activities, shall not be taken into account in the calculation of Net Smelter Revenue. All Hedging Activities by the Producer or

- Operator and all profits or losses associated therewith, if any, shall be solely for the Producer's account. Hedging Activities may result in the Producer or its Affiliates obtaining more revenue or greater losses than does the Royalty Holder. If Products produced from the Royalty Properties are subject to Hedging Activities, then such Products shall be deemed to have been sold at the price of the applicable Product on the day of sale, as determined in the case of gold by the London PM Fix for such date, in the case of silver for the London Fix for such date and for all other Products the London Metals Exchange official cash buyer price for such date (all in United States dollars).
5. **Interest.** The amount of any underpayment of Royalty shall bear interest at the Prime Rate plus one percent (1%), provided, however, that the determination of such interest rate shall not limit any remedies otherwise available to the Royalty Owner in respect of fraud.
 6. **Records, Annual Reports and Inspections**
 - 6.1 **Records.** The Producer shall keep accurate records of data necessary for the computation of the Royalty. The Producer's records, books, and accounts that are related to the computation and payment of the Royalty shall be open to the inspection of and copying by the Royalty Owner or its designated representatives at times selected by the Royalty Owner upon not less than three Business Days notice to the Producer during normal business hours. The Royalty Owner shall honour and comply with any reasonable confidentiality restrictions placed upon such information by the Producer.
 - 6.2 **Annual Reports.** Within 90 days following the end of each calendar year, the Producer shall provide the Royalty Owner with an annual report of Products mined, Products milled, recoveries, grades, Allowable Deductions (as defined below) and capital and development expenses with respect to the Royalty Properties during such calendar year. Such annual report shall include estimates of anticipated production from and estimated remaining reserves on the Royalty Properties for the succeeding calendar year. If requested in writing, the Producer shall provide the Royalty Owner, at the Royalty Owner's expense, with such data or reports regarding mineral resources that are subject to the Royalty as may be reasonably required by the Royalty Owner to comply with the requirements of National Instrument 43-101, but no officer or employee of the Producer or any of its Affiliates shall be required to act as a "qualified person" (as that term is defined in National Instrument 43-101) of the Royalty Owner in respect of any publicly disclosed information. No representation or warranty is made by the Producer with respect to the accuracy of the conclusions drawn by the Royalty Owner with respect to such reports.
 - 6.3 **Inspections.** Upon not less than three Business Days notice to the Producer, the Royalty Owner, at the Royalty Owner's expense, may have a representative present at any stage when ores or Products derived after the treatment thereof are mined, hauled, stored, weighed, sampled, assayed, tested, and processed, and shall upon request be furnished with a part of any sample taken. Upon not less than three Business Days notice to the Producer, the representative of the Royalty Owner shall

also have access to and the right to inspect all production records and data pertaining to all production activities and operations on or with respect to the Royalty Properties, including without limitation, records and data that are electronically maintained. The Royalty Owner, or its authorized agents or representatives, shall enter upon the Royalty Properties at its or their own risk and expense and shall not hinder the operations and activities on or relating to the Royalty Properties.

7. **Tailings**

7.1 **Tailings.** All tailings resulting from the Producer's operations and activities on the Royalty Properties shall be the sole and exclusive property of the Producer, but shall be subject to the Royalty if such tailings are processed by the Producer and result in the production of Products. If commingling of the tailings occurs, Section 2 of this Schedule C shall apply to the tailings and the tailings shall be deemed to be Commingling Product.

8. **Sale of Royalty Properties**

8.1 **Sale of Royalty Properties.** The Producer may, at any time, sell or transfer all or a portion of the Royalty Properties, subject to the following conditions:

(a) the Producer, including any party who is a successor to Producer hereunder, shall cause any assignee of any of the Royalty Properties to assume in writing the obligations to the Royalty Owner hereunder with respect to such Royalty Properties and to cause an original of such writing to be delivered to the Royalty Owner. Notwithstanding that such assumption in writing has been obtained and delivered to the Royalty Owner, the Producer shall not be relieved of its obligations under this Schedule C (nor under the Option Agreement) upon the assignment, foreclosure, or other transfer of such Royalty Properties without the prior written consent of the Royalty Owner, acting reasonably.

Nothing in this Section 8.1 shall prevent:

(b) a sale, transfer or assignment of all or a portion of the Royalty Properties to an Affiliate of the Producer, provided that the Producer shall cause any such Affiliate to assume in writing the obligations to the Royalty Owner hereunder with respect to such Royalty Properties and to retransfer all or such portion of the Royalty Properties to the Producer before ceasing to be an Affiliate of the Producer; and

(c) an amalgamation or corporate reorganization involving the Producer which has the effect at law of the amalgamated or surviving entity possessing all of the property, rights and interests and being subject to all of the debts, liabilities and obligations of each amalgamating or predecessor corporation.

9. **Defined Terms.** For the purposes of this Schedule C:

- (a) **“Allowable Deductions”** means the aggregate of the following charges (to the extent they are not deducted by any purchaser in computing payment) that are incurred with respect to the Royalty Properties in the same calendar month in which Gross Revenue is earned for the purposes of calculating the Net Smelter Returns Royalty for such month:
- (i) sales charges levied by any sales agent on the sale of Products;
 - (ii) transportation costs for Products from the Royalty Properties to the place of beneficiation, processing or treatment and thence to the place of delivery of Products to a purchaser thereof, including shipping, freight, handling and forwarding expenses;
 - (iii) all costs, expenses and charges of any nature whatsoever which are either paid or incurred by the Producer to third parties in connection with the refinement or beneficiation of Products after leaving the Royalty Properties, including all smelter and refinery charges and all weighing, sampling, assaying, representation and storage costs, metal losses and umpire charges, and any penalties charged by the processor, refinery or smelter; and
 - (iv) all insurance costs on Products and any government royalties, third party royalties, production taxes, severance taxes and sales and other taxes levied on Products or on the production value thereof (other than income taxes of the Producer).
- (b) **“Gross Revenue”** means the aggregate of the following amounts (without duplication) accruing in each calendar month following Commencement of Commercial Production:
- (i) where the ores or concentrates derived therefrom are sold as ores or concentrates, the gross amount received from the purchaser following sale thereof, less Allowable Deductions; and
 - (ii) where the ores or concentrates are treated in a smelter and metals recovered therefrom are delivered to, and sold by the Producer, the gross amount received from the purchaser following sale of the metals so delivered less Allowable Deductions.
- (c) **“Products”** means minerals, precious or base, metallic or non-metallic, produced from the Royalty Properties, which may lawfully be mined or sold (including concentrate, precipitate, doré or other product between the stage of ore and refined product metal produced by chemical or gravitational treatment of ores and minerals derived therefrom).
- (d) **“Royalty Properties”** mean the Properties held by the Producer pursuant to the Option Agreement as of the date the Royalty Holder actually becomes entitled to the Royalty pursuant to the terms of the Option Agreement; and

- (e) All other capitalized terms used in this Schedule C shall have the meanings ascribed thereto in the Option Agreement.