Schedule C "Royalties Agreement"

NET SMELTER RETURN ROYALTIES

THIS AGREEMENT made as of the 28th day of January, 2020.

AMONG:

5003754 Ontario Ltd., a corporation duly incorporated pursuant to the laws of the Province of Ontario (the "**Grantor**")

OF THE FIRST PART

And

Pavey Ark Minerals Inc., a corporation duly incorporated pursuant to the laws of the Province of Ontario (the **"Grantee"**)

OF THE SECOND PART

WHEREAS the Grantor has an agreement to acquire a 100% undivided interest in the Property (as hereinafter defined) from the Grantee pursuant to an option agreement dated as of January 28, 2020. As partial consideration for such acquisition, the Grantor has agreed to grant the Grantee, or its Assignee, certain Net Smelter Return Royalties (the "**Royalties**") (as hereinafter defined) all on and subject to the terms and conditions hereinafter contained.

NOW THEREFORE THIS AGREEMENT WITNESSETH THAT for good and valuable consideration the receipt and sufficiency whereof being acknowledged by each of the parties hereto, the parties hereto do hereby covenant and agree as follows:

1. **DEFINITIONS**

"**Affiliate of the Grantor**" means any person, partnership, venture, corporation or other form of enterprise which directly or indirectly controls, is controlled by, or is under common control with, the Grantor.

"**Affiliate of the Grantee**" means any person, partnership, venture, corporation or other form of enterprise which directly or indirectly controls, is controlled by, or is under common control with, the Grantee.

"**Commercial Production**" shall mean, and is deemed to have been achieved when the concentrator processing ores for other than testing purposes has operated for a period of 30 consecutive production days at an average rate of not less than 60% of design capacity or, if a concentrator is not erected on the Property pursuant to the Production Decision, when ores have been produced for a period of 30 consecutive production days at the rate of not less than 60% of the mining rate specified in a Feasibility Study or other study that is the basis of recommending placing the Property in production.

"**Effective Date**" shall mean January 28, 2020.

"**Gross Value**" shall mean the consideration actually received by the Grantor from the sale or other disposition of Minerals, provided that where the Grantor's sale or disposition is based upon a contract for the sale of Minerals that fixes a selling price for metals on other than a market price of the product on the date of delivery to the purchaser (less deductions normally negotiated as a part of such contracts), specifically including without limitation, forward sales, futures trading or commodity options trading and any other price hedging, price protection and speculative arrangements not involving physical delivery of Minerals produced from ores mined from the Property, Minerals shall be deemed to have been sold only at the time that refined metal attributable to such Minerals is physically delivered by the Grantor in satisfaction of such commitments. Gross Value of Minerals shall be based on the contained metal value of the Minerals actually delivered, calculated by dividing the sum of all such prices reported for each respective metal on each day of the calendar month by the number of days for which such prices were reported for the month in which the sale occurred, as such prices are quoted on the London Metal Exchange (LME) p.m. fix. The Royalty payable to the Grantee shall be based upon such Gross Value, net of the deductions more fully set forth below. In the event of cessation or suspension of quotations for a period of more than five consecutive days in a given month, the parties hereto shall agree on a reputable substitute quotation mechanism for each affected metal. If the Grantor terminates or "**buys-back**" any of such price protection arrangements without actual physical delivery of Minerals, the Grantee shall not share in any profits or losses therefrom.

"**Minerals**" shall mean raw ores, concentrates, precipitates, leach liquor, metals, ore and mineral materials of every kind and character and all other naturally-occurring products contained within the Property which are sold by the Grantor to third parties (excluding only sand and gravel and other common non-metallic materials).

"**Produced**" shall mean the mining, saving, extraction from the soil or other creation of a marketable production containing Minerals from the Property.

"**Property**" shall mean the property known as the "Hawkins Gold Property" in Derry, Hawkins, Walls, Minnipuka, Legge, and Puskuta Townships in the Mining Divisions of Sault Ste Marie and Porcupine in the Province of Ontario, as is more particularly described in Schedule "A" attached hereto plus any property acquired by the Grantor within a 2 km area of influence around the Property described in Schedule “A”.

"**Net Returns**" shall mean the Gross Value received by the Grantor from the sale or other disposition of Minerals, less the following expenses incurred by the Grantor with respect to such Minerals after they leave the Property: (i) actual charges for treatment in the smelting and refining process (including handling, assaying, processing, penalties, impurity charges, metal losses and other processor deductions); (ii) actual sales, marketing and brokerage costs; (iii) any sales, severance, gross production, privilege or similar taxes assessed on or in connection with the sale or other disposition of Minerals; (iv) actual costs of transportation (including freight, insurance, security charges, transaction taxes, import and export duties, levies, imposts, handling, port, demurrage, delay, stowage and forwarding expenses incurred by reason of or in the course of such transportation) of such Minerals, to the smelter or other purchaser, user or customer. The Grantor shall be permitted to sell concentrates in the form usually commercially marketable to an Affiliate of the Grantor provided that such sales shall be considered, solely for the purpose of computing Net Returns, to have been sold at prices and on terms no less favourable than those which would be extended to an unaffiliated third party in a *bona fide* arm's length transaction under similar circumstances. Similarly, if the Grantor or an Affiliate of the Grantor incurs costs that are deductible or treats the Minerals in a smelter that the Grantor or the Affiliate of the Grantor owns or controls, the Grantor or the Affiliate of the Grantor may deduct treatment charges and costs, but only to the extent they are no more than the amount that the Grantor or the Affiliate of the Grantor would have charged an unaffiliated third party in a *bona fide* arm's length transaction under similar circumstances.

"**Royalties**" shall mean: i) a 0.5% net smelter royalty to the Grantee on any production from legacy mining claims 1229071, 1229072, 4267268, 4270206, 4272109, 4267269 , 4267270 (**McKinnon Claims**); and ii) a 2% net smelter royalty to the Grantee on any production from all other claims listed in Schedule “A” plus a 2 km area of influence around the Property described in Schedule “A”.

2. **ROYALTY INTEREST**

The Grantor does hereby grant the Royalties to the Grantee in perpetuity, subject to the terms and conditions of this Agreement. The Royalties shall run with the Property. The Royalties shall apply to any and all Minerals Produced from the Property. The Royalties shall be on the basis of the Net Returns received by the Grantor from the sale or other disposition of Minerals actually Produced from the Property. The Grantee may register the Royalties on title.

3. **GRANTOR'S OPERATIONS**

(a) **<u>Further Processing</u>.** The Grantor may, but is not obligated to, beneficiate, mill, sort, concentrate, refine, smelt or otherwise process or upgrade the Minerals Produced from ores mined from the Property prior to sale, transfer, or conveyance to a purchaser, user or consumer other than the Grantor. The Grantor shall not be liable for mineral values lost in such processing except for losses resulting from the bad faith or gross negligence of the Grantor.

(b) **<u>Weighing and Sampling – Commingling</u>**. All ores, materials or products containing Minerals shall be weighed or measured, sampled and analyzed in accordance with the Grantor's standard mining and metallurgical practices. After such weights, measurements or samples are taken, at its discretion, the Grantor may mix or commingle such ores, materials or products with ores, materials or products from other properties or sources.

(c) **<u>Information to Grantee</u>**. All payments of the Royalty hereunder shall be accompanied by a smelter settlement sheet or other evidence of sale indicating the weight of materials received, contained mineral values and a statement of the Grantor as to the deductions made. If no Royalty is due the Grantee for any pay period, subject to the provisions of section 4(a), the Grantor shall nonetheless provide the Grantee with a statement showing in reasonable detail the quantities of Minerals produced from the Property.

(d) **Mining Methods - No Implied Covenants**. The Grantor shall have the sole and exclusive right to determine the timing and the manner of any production from the Property and all related exploration, development, operational and mining activities. Nothing in this Agreement shall require the Grantor to explore, develop or mine or continue operations on the Property or to process ores from the Property. The Grantor shall not be responsible for nor be obliged to make any Royalty payments for Minerals values lost in any mining or processing of the Minerals conducted pursuant to customary mining practices. The Grantor shall not be required to mine or to preserve or protect the Minerals which under customary mining practices cannot be mined or shipped at a reasonable profit at the time mined.

(e) **Retention of Inventory.** The Grantor may, but is not obligated to, retain ore or treated ore products containing Minerals as inventory for any length of time and for any reason. At the Grantee' reasonable request, the Grantor shall deliver to the Grantee a monthly statement of such inventory, but subject to section 4(a), the Grantee shall have no right to any Royalty payments until the Grantor actually delivers and sells the Minerals. Raw Minerals stockpiles are not subject to the Royalty until treated and the products are delivered and sold.

4. PAYMENT OF ROYALTY

(a) **Frequency of Payment of Royalty**. The Royalty shall be due and payable within 30 business days after the end of each calendar quarter, commencing with the quarter in which the Property is brought into Commercial Production. The Grantee shall have the right to take their Royalty "**in-kind**" subject to the following conditions:

(i) The Grantee' election to take their Royalty "**in kind**" must be made each year on a calendar basis by delivering written notice of that election by no later than 60 days prior to the end of the preceding year. A failure to so deliver such notice shall be deemed to be an election not to take "**in kind**". The Grantee' option to take their Royalty "**in kind**" shall be applicable for all of the Royalty in the calendar year for which such option is exercised.

(ii) The Grantee shall be entitled to take in kind the Minerals in the form they are produced by Grantor at the Grantor's processing facility at or near the Property or at the processing facility actually used by the Grantor.

(iii) As a precondition to taking the Royalty "**in kind**", the Grantee shall pay the Grantor all costs and expenses that the Grantor would not have otherwise incurred except for the Grantee' election to take "**in kind**", if any, incurred by the Grantor or any Affiliate of the Grantor as a result of that taking "in kind".

(iv) If the Grantee have elected to take the Royalty "**in kind**", the Grantor shall advise the Grantee reasonably in advance when and where the Minerals will be available for delivery to the Grantee and of the charges payable to the Grantor with respect to such Minerals. It shall be the Grantee' responsibility to arrange for the timely pick-up of Minerals and title and risk of loss of the same shall pass to the Grantee upon delivery to the Grantee (or their agent or nominee if so requested by the Grantee). Any storage, insurance or other handling costs of the Grantee' share of such Minerals after the delivery date shall be borne exclusively by the Grantee.

(b) **Method of Making Payments**. All Royalty payments required to be made hereunder shall be either delivered by courier to the Grantee's address (or Affiliate's address) or transferred by wire to the Grantee's bank account (or Affiliate's bank account) as per the Grantee's instructions.

(c) **Records; Inspection**. All books and records used by the Grantor to calculate the Royalty shall be kept in accordance with generally accepted accounting principles. The Grantee may, at their sole expense, upon reasonable notice to the Grantor, inspect such books and records used to calculate the Royalty. No inspections taken hereunder shall be in derogation of the Grantee' right to make objections as described in subsection 4(d).

(d) **Objections**. All Royalty payments shall be considered final and in full satisfaction of all obligations of the Grantor with respect thereto, unless the Grantee give the Grantor written notice describing and setting forth a specific objection to the calculation thereof within 60 days after receipt by the Grantee of the quarterly statement provided for herein. If an audit of production records is timely requested by the Grantee, then for up to a period of 60 days following receipt of the Grantee' objection, such audit shall be performed of the Grantor's records and accounts relating to the Royalty calculation by an independent certified public accountant acceptable to the Grantor at reasonable times and upon reasonable notice to the Grantor. If such audit determines that there has been a deficiency or an excess in the payment made to the Grantee such deficiency or excess shall be resolved by adjusting the next quarterly Royalty payment due hereunder. The Grantee shall pay all costs of such audit unless a deficiency in the payment made to the Grantee is greater than 5% of the Royalty determined to exist, in which event the Grantor shall pay such costs. Failure on the part of the Grantee to make claim on the Grantor for adjustment in the 60 day period referenced above shall conclusively establish the correctness of the statement and preclude the filing of exceptions thereto or the making of any claim for adjustment thereon for the calendar quarter in question.

(e) **Application to Reprocessed and Other Materials**. If the Grantor reprocesses any mill tailings or any residues from the Property, the Royalty shall be payable only upon any Minerals recovered. The Grantee shall not be entitled to any royalties on ores or minerals produced from other properties which are otherwise processed at the Property by the Grantor.

5. **NOTICES**

All notices required or permitted to be given hereunder shall be given in writing and shall be sent by the parties by registered or certified mail, telex, facsimile transmission or by express delivery service to the address set forth below or to such other address as either party may later designate by like notice to the other:

(i) to the Grantor at:
5003754 Ontario Ltd.
298 Waverley Road, Toronto, Ontario, M4L 3T6
Attn: Laurel Duquette, 416-902-4172
Email: lsduquette@gmail.com

(ii) to the Grantee at:
Pavey Ark Minerals Inc.
Address: 130 Foxridge Drive, Ancaster, Ontario, L9G 5B9
Attn: Richard Sutcliffe, Phone: 905 304-4499
Email: rhsutcliffe@paveyarkminerals.com

All notices required or permitted to be given hereunder shall be deemed to have been given upon the earliest of; (1) actual receipt; (2) acknowledgment in any form of receipt of telex or facsimile transmission; (3) the business day next following deposit with an express delivery service, properly addressed; or (4) 72 hours after deposit with Canada Post, properly addressed with postage prepaid. Any party may change its address from time-to-time by notice to the other party hereunder.

7. **INTERPRETATION**

(a) **Governing Law.** This Agreement shall be governed by the laws of the Province of Ontario and the federal laws of Canada applicable therein.

(b) **Performance.** The failure of either the Grantee or the Grantor to insist on the strict performance of any provision of this Agreement or to exercise any right, power or remedy upon a breach hereof shall not constitute a waiver of any provision of this Agreement or limit the Grantee' or the Grantor's right thereafter to enforce any provision or exercise any right hereunder. A waiver of any provision of this Agreement shall not be effective unless in writing and signed by the party against whom it is to be enforced.

(c) **Invalidity of Provisions**. If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law or public policy, all other conditions and provisions of this Agreement shall nevertheless remain in full force and effect so long as the economic and legal substance of the transactions contemplated hereby is not affected in any manner materially adverse to any party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the extent possible.

(d) **Enurement**. This Agreement shall be binding on and shall enure to the benefit of the respective heirs, executors, administrators, legal representatives, successors and permitted assigns of the Grantee and the Grantor.

8. **GENERAL**

(a) **Modifications in Writing**. No modification or amendment of this Agreement shall be valid unless made in writing and duly executed by the Grantee and the Grantor.

(b) **Recording**. This Agreement may be recorded by either the Grantee or the Grantor to give record notice of this Agreement on title.

(c) **No Prior Agreements.** This Agreement contains the entire understanding of the Grantee and the Grantor and supersedes all prior agreements and understandings among the Grantee and the Grantor relating to the subject matter hereof.

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Royalty Agreement as of the date and year first above written.

Per: Pavey Ark Minerals Inc.

/s/ Richard Sutcliffe

Per: 5003754 Ontario Ltd.

/s/ Laurel Duquette