

**MEMBERSHIP PURCHASE AGREEMENT**

**BY AND AMONG**

**OSISKO METALS INCORPORATED**

**AND**

**KARST INVESTMENTS LLC**

**AND**

**MARGARET MERI PEGGY KENT, BURNS FAMILY 2012 TRUST AND ANN A.  
BURNS, IAN A. BURNS, RUSSELL L. BURNS AND ROBERT H. BURNS AS  
TRUSTEES FOR BURNS FAMILY 2012 TRUST**

**DATED as of December 4, 2019**

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## MEMBERSHIP PURCHASE AGREEMENT

**THIS MEMBERSHIP PURCHASE AGREEMENT** (this “**Agreement**”) is made as of December 4, 2019, by and among Osisko Metals Incorporated, a corporation existing under the laws of the province of British Columbia (the “**Purchaser**”), Karst Investments LLC, a limited liability company existing under the laws of the State of Washington (“**Karst**”), Margaret Meri Peggy Kent, an individual residing in the State of Washington, United States of America (“**Kent**”), Burns Family 2012 Trust ( “**Burns Trust**”), a trust duly and validly established under the laws of the State of Washington and each of: Ann A. Burns, Ian A. Burns, Russell L. Burns and Robert H. Burns (collectively “**Burns Trustees**”) as trustees for Burns Trust.

**WHEREAS** Kent has beneficial ownership of 50% membership interest of Karst (the “**Kent Membership**”) and Burns Trust has beneficial ownership of 50% membership interest of Karst (the “**Burns Membership**”) and collectively the Kent Membership and the Burns Membership comprise 100% of the membership interests of Karst (the “**Purchased Membership**”).

**AND WHEREAS** the parties have agreed that the Purchaser shall purchase and each of Kent and Burns Trust (collectively the “**Sellers**”) shall sell, the Purchased Membership, upon the terms and subject to the conditions set forth herein.

**NOW, THEREFORE**, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties hereto agree as follows:

### ARTICLE 1 DEFINITIONS AND INTERPRETATIONS

**Section 1.1 Definitions.** The meaning of certain words and terms used in this Agreement are set out in Schedule A of this Agreement.

**Section 1.2 Interpretation.**

In this Agreement, unless expressly stated otherwise:

(a) **Consent** – Whenever a provision of this Agreement requires an approval or consent of a Party, and such approval or consent is not delivered within the applicable time limit, the Party whose consent or approval is required shall be conclusively deemed to have withheld same.

(b) **Currency** – Unless otherwise specified, all dollar amounts in this Agreement, including the symbols “\$” and “US\$”, refer to lawful currency of United States of America. The symbol “C\$” refers to lawful currency of Canada.

(c) **Headings** – Headings of Articles and Sections are inserted for convenience of reference only and do not affect the construction or interpretation of this Agreement.

(d) **Preparation of Agreement** – This Agreement was prepared jointly by the Parties and no rule that it be construed against the drafter shall have any application in its construction or interpretation.

(e) **Including** – Where the word “including” or “includes” is used in this Agreement, it means “including (or includes) without limitation”.

(f) **Documents** – Reference to any agreement, document or instrument means such agreement, document or instrument as amended or modified and in effect from time to time in accordance with its terms, and includes all addenda, exhibits, or schedules thereto.

(g) **Copies and Lists** – A reference to a “copy” or “copies” of any agreement, document, or instrument means a copy or copies that are true and complete; and a reference to a list, or any like compilation means that the list or compilation referred to is true and complete.

(h) **No Strict Construction** – The language used in this Agreement is the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party.

(i) **Overlapping Provisions** – The Parties intend that each representation, warranty, covenant and agreement contained in this Agreement will have independent significance. The fact that any conduct or state of facts may be within the scope of two or more representations, warranties, covenants or agreements herein, whether relating to the same or different subject matters and regardless of the relative levels of specificity, shall not be considered in construing or interpreting this Agreement, nor shall the provisions of any representation and warranty be deemed to limit the provisions of any other representation and warranty.

(j) **Number and Gender** – Unless the context otherwise requires, words importing the singular include the plural and vice versa, and words importing gender include all genders.

(k) **Severability** – If, in any jurisdiction, any provision of this Agreement or its application to any Party or circumstance is restricted, prohibited or unenforceable, such provision shall, as to such jurisdiction, be ineffective only to the extent of such restriction, prohibition or unenforceability, without invalidating the remaining provisions of this Agreement and without affecting the validity or enforceability of such provision in any other jurisdiction or without affecting its application to other Parties or circumstances.

(l) **Statutory References** – A reference to a statute includes all regulations and rules made pursuant to such statute and the provisions of any statute, regulation or rule which amends, supplements or supersedes any such statute, regulation or rule.

(m) **Recitals** – The recitals to this Agreement form an integral part hereof.

(n) **Time** – Time is of the essence in the performance of the Parties’ respective obligations hereunder.

(o) **Time Periods** – Unless otherwise specified, (i) time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends, and by extending such period to the next Business Day following if the last day of the period is not a Business Day; and (ii) where any action is required to be taken on a particular day and such day is not a Business Day and, as a result, such action cannot be taken on such day, then this Agreement shall be deemed to provide that such action shall be taken on the first Business Day after such day.

**Section 1.3 Governing Law and Submission to Jurisdiction.**

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein, but excluding any such laws or choice of law rules that might direct the application of the laws of another jurisdiction. The Parties hereby irrevocably and unconditionally submit to the non-exclusive jurisdiction of the courts of the Province of Ontario and elect domicile in the City of Toronto, Ontario with respect to any dispute arising out of or in connection with this Agreement, including disputes regarding its validity or interpretation and the exercise of any right or the enforcement of any obligation arising hereunder.

**Section 1.4 Meaning of Knowledge.**

(a) **Individual** – An individual is deemed to have Knowledge of a particular fact or other matter if that individual is actually aware of that fact or matter, after having reviewed all records, documents and other information in their possession or under their control that would be regarded as reasonably relevant to the matter and having made appropriate enquiries of the senior officers or Managing Members of the referent Person (including the Acquired Company) (“**Due Inquiry**”). For purposes hereof, Knowledge shall include the knowledge that an individual would have had but for his or her failure to make Due Inquiry.

(b) **Person Other than an Individual** – A Person other than an individual is deemed to have Knowledge of a fact or other matter if any individual who is serving, or who has at any time served, as a director, officer, partner, manager, executor, or trustee of that Person (or in any similar capacity) has, or at any time had, Knowledge of that fact or other matter (as set forth in clause (a) above).

**ARTICLE 2  
PURCHASE AND SALE OF SHARES**

**Section 2.1 This Agreement Supersedes prior agreements.**

The transactions contemplated herein were contemplated in the Binding Term Sheet. The Parties hereby agree and acknowledge that this Agreement supersedes the Binding Term Sheet and that following the effective date of the Agreement, the Binding Term Sheet shall terminate and be of no force and effect and the Parties shall have no mutual obligations thereunder.

**Section 2.2 Purchase and Sale of Shares.** Subject to the terms and conditions of this Agreement, at the Closing the Purchaser shall purchase from the Sellers (as applicable) and the Sellers shall sell and transfer to the Purchaser, the entire Purchased Membership.

**Section 2.3 Purchase Price.**

The purchase price payable by the Purchaser to the Sellers for the entire Purchased Membership (the “**Purchase Price**”) is:

- (a) US\$8,500,000; and
- (b) 2,000,000 common shares of the Purchaser (the “**Consideration Shares**”);

## **Section 2.4 The Deposit.**

Prior to the date hereof, the Purchaser has delivered a non-refundable deposit of US\$500,000 (the “**Deposit**”) to Bennett Jones LLP to be held in trust on behalf of the Sellers. Subject to the provisos contained in this Agreement, the Deposit shall be credited on the Closing Date on account of the Purchase Price, provided that: (i) if the transactions contemplated herein and hereby are not completed on the Closing Date on account of the failure of the Purchaser to satisfy its obligations set out in this Agreement (which are not waived by the Sellers), then the full amount of the Deposit shall be released from trust and paid to Karst and the Purchaser shall also reimburse Karst for the Karst Expenses, without prejudice to any other rights the Sellers may have against the Purchaser; and (ii) if the transactions contemplated herein and hereby are not completed on the Closing Date on account of the failure of the Sellers to satisfy their obligations set out in this Agreement (which are not waived by the Purchaser), then the full amount of the Deposit shall be immediately returned to the Purchaser. In addition to the foregoing, if Closing has not occurred by the Outside Date for any reason other than as described at (i) or (ii) above, then the full amount of the Deposit shall be released from trust and paid to Karst and the Purchaser shall also reimburse Karst for the Karst Expenses, without prejudice to any other rights the Sellers may have against the Purchaser.

## **Section 2.5 Payment of the Purchase Price.**

The Purchase Price shall be paid as follows:

(a) At Closing, the Purchaser shall pay or cause to be paid the following amounts by wire transfer of immediately available funds in accordance with written wire transfer instructions delivered to the Purchaser by the Sellers at least three (3) Business Days prior to the Closing:

(i) cash payment:

- (A) in respect of the Kent Membership: US\$4,250,000 to Kent, or as Kent may otherwise direct in writing; and
- (B) in respect of the Burns Membership: US\$4,250,000 to Burns Trust, or as Ann. A. Burns may direct may otherwise direct in writing,

provided that that the Deposit will be credited against the amounts otherwise payable by this Section 2.5(a)(i)

(such payments collectively referred to herein as the “**Closing Cash Payments**”).

(ii) evidence of issuance of the Consideration Shares:

- (A) in respect of the Kent Membership: of 1,000,000 Consideration Shares issued to Kent or as Kent may otherwise direct in writing; and
- (B) in respect of the Burns Membership: of 1,000,000 Consideration Shares issuable to Burns Trust or as Burns Trustees may direct may otherwise direct in writing

(such payments collectively referred to herein as the “**Consideration Shares Certificates**”).

**Section 2.6 Issuance of Consideration Shares.**

(a) On Closing, subject to satisfaction of the condition set out in Article 10 hereof, the Purchaser shall issue to each of the Sellers on the pro-rata basis, the Consideration Shares and certificates or other mutually acceptable evidence of the Consideration Shares shall be delivered to the Sellers on Closing.

(b) Each of the Sellers acknowledges that:

- (i) the issuance of Consideration Shares as part of the Purchase Price hereunder is subject to the prior approvals of the TSXV;
- (ii) the Consideration Shares issued to them will be issued subject to: (i) such hold periods as required by the policies of the TSXV and applicable securities legislation, and the Consideration Shares Certificates whether in the form of DRS advice representing the Consideration Shares Certificates or in the form of share certificates will bear restrictive legends to that effect;
- (iii) the Consideration Shares will be issued pursuant to an exemption under applicable Canadian provincial securities legislation and will not be qualified by any prospectus or registration statement in any jurisdiction;
- (iv) no securities regulatory authority or stock exchange has made any finding or determination as to the merit for investment in, or made any recommendation or endorsement with respect to, the Consideration Shares; and
- (v) neither Seller has asked for, and was not provided with, any offering memorandum or other document or information in respect of the Consideration Shares, other than documents that are publicly available and may be accessed on the SEDAR Website.

**Section 2.7 Deemed Price of Consideration Shares.**

The Purchaser and the Sellers agree that the Consideration Shares will be issued at the deemed price that shall equal the closing price of the common shares of the Purchaser on the TSXV on the day immediately preceding the Closing.

**Section 2.8 Closing.** The closing of the purchase and sale of the Purchased Membership contemplated by this Agreement (the “**Closing**”) shall be held at the offices of Peterson McVicar LLP 18 King Street East, Suite 902, Toronto, ON M5C 1C4 on the Closing Date at 11:00 a.m. (Eastern time), provided that, on or prior to such date, the condition set forth in Article 10 has been satisfied or waived.

**Section 2.9 Closing Obligations.**

(a) **Acquired Company and Sellers** – At the Closing, the Sellers shall deliver to the Purchaser:

- (i) certificates evidencing the entire Purchased Membership accompanied by irrevocable security transfer powers of attorney duly executed in blank by the applicable holder of record;
- (ii) a current certificate of status, certificate of compliance, certificate of good standing or similar certificate, with respect to the Acquired Company, issued by the appropriate Governmental Authority of its respective jurisdiction of incorporation or organization;
- (iii) unless delivered to Purchaser prior to the Closing Date, copies of Karst Financial Statements;
- (iv) evidence in a form satisfactory to the Purchaser that arrangements have been made by the Sellers to pay any and all liabilities of the Acquired Company either existing at Closing or arising from any activity of the Acquired Company prior to Closing;
- (v) the Corporate Records of the Acquired Company together with its Constatting Documents and a certificate of its Managing Member stating that same are in effect, unamended, a copy of the resolutions of the board of directors of the Acquired Company authorizing the completion of the transactions contemplated by this Agreement;
- (vi) evidence of completion of the cancellation of Acquired Company's interest in the Alaska mining claims set out in Section 2.10 of the Karst Disclosure Schedule in the form satisfactory to the Purchaser;
- (vii) a certified copy of documents in respect of Burns Trust authorizing its trustees as having the power, capacity and authority to carry on the business and affairs of Burns Trust including the power, capacity and authority to complete the transactions contemplated by this Agreement by Burns Trust and to execute, deliver and perform the obligations of Burns Trust of each of the Closing Documents to which it is a party;
- (viii) Certificate of Kent confirming that the representations and warranties of Kent set out in Article 3 and Article 5 are true and correct as of the Closing Date and confirming that all covenants of Kent under the Agreement have been duly performed;
- (ix) Certificate signed by each of the Burns Trustees in their respective capacities as trustees of Burns Trust confirming that the representations and warranties of Burns Trust set out in Article 4 and Article 5 are true and correct as of the Closing Date and confirming that all covenants of Burns Trust under the Agreement have been duly performed;
- (x) as directed by the Purchaser, the written resignation and release and discharge of the Managing Member of the Acquired Company; and
- (xi) an opinion by Washington State corporate legal counsel to the Acquired Company in the form and substance acceptable to the Purchaser

regarding good standing of the Acquired Company, and valid issuance of Purchased Membership, and other customary matters.

- (b) **Purchaser** – At the Closing, the Purchaser shall deliver to the Sellers:
- (i) the Closing Cash Payments;
  - (ii) the Consideration Shares Certificates;
  - (iii) a current certificate of good standing with respect to the Purchaser issued by the British Columbia Registrar of Companies;
  - (iv) a certificate executed by an officer of the Purchaser confirming that the representations and warranties of the Purchaser set out in Article 6 are true and correct as of the Closing Date and confirming that all covenants of the Purchaser under the Agreement have been duly performed; and
  - (v) an opinion of legal counsel to the Purchaser in the form and substance acceptable to the Sellers regarding corporate and reporting issuer status, validity of issuance of Consideration Shares and relevant securities law matters.

**Section 2.10 Pre-Closing Transactions.** On or prior to the Closing, the transactions set forth in Section 2.10 of the Karst Disclosure Schedule (the “**Pre-Closing Transactions**”) shall have been completed in a manner satisfactory to the Purchaser, acting reasonably.

### **ARTICLE 3 REPRESENTATIONS AND WARRANTIES AS TO KENT**

Kent represents and warrants to the Purchaser, as to herself, as follows, and acknowledges that the Purchaser is relying upon the following representations and warranties in connection with its purchase of the Purchased Membership:

#### **Section 3.1 Authority.**

Kent is an individual residing at the city of Pullman, in the state of Washington, United States of America has the absolute and unrestricted right, power, authority and capacity to enter into this Agreement and each of the other Closing Documents to which Kent is a party, to execute and deliver same and to perform all of Kent’s obligations thereunder.

#### **Section 3.2 Execution and Binding Obligation.**

This Agreement has been duly executed and delivered by Kent and constitutes a valid and binding obligation of Kent, enforceable against Kent in accordance with its terms. Each of the other Closing Documents to which Kent is a party will be duly executed and delivered by Kent as and when required, on or prior to Closing, and, upon the execution and delivery thereof by Kent, each such Closing Document shall constitute a valid and binding obligation of Kent, enforceable against Kent in accordance with its terms.

**Section 3.3 Title to Membership Interest.**

Kent is a beneficial owner of that percentage membership interest in the Acquired Company as set out in the above Recitals to this Agreement with good, valid and marketable title thereto, free and clear of all Encumbrances other than those restrictions on transfer, if any, contained in the Constatting Documents of the Acquired Company.

There is no ongoing power of attorney in respect of the Kent Membership, and the Kent Membership has not been entered into any voting trust, vote pooling or other agreement with respect to the right to vote, call meetings of members or give consents or approvals of any kind as to such securities. There is no outstanding indebtedness owed from the Acquired Company to Kent.

**Section 3.4 Residence.**

Kent is not a non-resident of Canada within the meaning of the ITA and the Kent Membership owned by Kent does not constitute "taxable Canadian property" within the meaning of the ITA.

**Section 3.5 No Conflict.**

Neither the execution and delivery by Kent of this Agreement or each of the other Closing Documents to which Kent is a party, nor the performance of Kent's obligations hereunder and thereunder and the consummation of the transactions contemplated hereby and thereby, will directly or indirectly (with or without notice or lapse of time or both):

- (a) conflict with, or result in a breach of, or constitute a default under any restrictions of any kind by which Kent (or any assets of Kent) is bound;
- (b) to the Knowledge of Kent, contravene, conflict with, or violate any Applicable Law;  
or
- (c) give any Person the right to challenge any transaction contemplated hereby or thereby or to exercise any remedy, under any Applicable Law to which Kent is subject.

**Section 3.6 Consents.**

Kent is not required to give notice to, make any declaration, filing or registration with, or obtain any Consent from, any Person in connection with (a) the execution and delivery by Kent of this Agreement and each of the other Closing Documents to which Kent is a party, (b) the performance by Kent of Kent's obligations hereunder or thereunder, including the transfer of the Kent Membership, or (c) the consummation of the transactions contemplated hereby or thereby.

**Section 3.7 Restrictions on Transfer.**

Except for those restrictions on transfer contained in the Constatting Documents of the Acquired Company, there are no restrictions of any nature whatsoever imposed on Kent regarding the transfer of Kent Membership to the Purchaser.

**Section 3.8 Proceedings and Orders.**

As of the date of this Agreement, no Proceeding or Order is outstanding or pending, or to the Knowledge of Kent, has been threatened, against Kent, that affects or relates to any part of Kent

Membership or that would otherwise impair, in any manner, Kent's ability to perform Kent's obligations under this Agreement or any other Closing Documents to which such Kent is a party, or to consummate the transactions contemplated hereby or thereby.

**Section 3.9 Legal and Financial Advice.**

Kent confirms that she is solely responsible for obtaining her own legal, tax, investment and other professional advice with respect to the execution, delivery and performance by her of this Agreement and the transactions contemplated hereunder. Kent has not relied upon any statements made by or purporting to have been made on behalf of the Purchaser or its counsel with respect to this Agreement.

**ARTICLE 4  
REPRESENTATIONS AND WARRANTIES AS TO BURNS TRUST**

Burns Trust by Burns Trustees as its trustees, represents and warrants to the Purchaser as follows, and acknowledges that the Purchaser is relying upon the following representations and warranties in connection with its purchase of the Burns Membership:

**Section 4.1 Status, Authority, Execution and Binding Obligation.**

(a) Each of the Burns Trustees has been duly appointed as a trustee of Burns Trust, has the power, capacity and authority to carry on the business and affairs of Burns Trust and to enter into this Agreement and each of the other Closing Documents, in his or her capacity as a trustee of Burns Trust, and to sell the Burns Membership to the Purchaser in the manner contemplated herein and to perform all of Burns Trust's obligations under this Agreement and each of the other Closing Documents to which they are a party. Burns Trust and Burns Trustees as its trustees have taken all necessary or desirable actions, steps and proceedings to approve or authorize, validly and effectively, the entering into of, and the execution, delivery and performance of, this Agreement and each of the other Closing Documents to which they are a party and the sale of Burns Membership by Burns Trustees in their capacity as trustees of Burns Trust to the Purchaser. Each of this Agreement and each of the other Closing Documents to which Burns Trustees are a party is a legal, valid and binding obligation of Burns Trustees in their capacity as trustees of Burns Trust on behalf of Burns Trust, enforceable against them in such capacity in accordance with its terms, except as limited by applicable bankruptcy, insolvency, reorganization, moratorium or other laws of general application affecting enforcement of creditors' rights, and as limited by general principles of equity that restrict the availability of equitable remedies.

(b) Burns Trust is a duly constituted trust under the laws of the State of Washington and has all necessary powers and capacity to enter into this Agreement and each of the other Closing Documents and to perform its obligations hereunder, and the execution and delivery of this Agreement and the consummation of the transactions contemplated hereby have been duly authorized by all necessary action on the part of Burns Trust.

(c) This Agreement and each of the other Closing Documents to which Burns Trust is a party has been duly executed and delivered by Burns Trustees on behalf of Burns Trust and constitutes a legal, valid and binding obligation of Burns Trust, enforceable against it in accordance with the terms hereof.

**Section 4.2 Title to Membership Interest.**

Collectively, Burns Trustees as the duly appointed trustees of Burns Trust, are the legal, and Burns Trust is a beneficial owner of that percentage membership interest in the Acquired Company as set out in the above Recitals to this Agreement with good, valid and marketable title thereto, free and clear of all Encumbrances other than those restrictions on transfer, if any, contained in the Constatting Documents of the Acquired Company.

There is no ongoing power of attorney in respect of Burns Membership, and the Burns Membership has not been entered into any voting trust, vote pooling or other agreement with respect to the right to vote, call meetings of members or give consents or approvals of any kind as to such securities. There is no outstanding indebtedness owed from the Acquired Company to Burns Trust.

**Section 4.3 No Contravening Agreements.**

As of the date of this Agreement, neither the Burns Trustees in their capacity as trustees of Burns Trust, nor Burns Trust, is a party to, bound or affected by, or subject to any indenture, mortgage, lease, agreement, instrument, charter or by law provision, order, judgment or decree which would be violated, contravened or breached by the execution and delivery by it of this Agreement or the consummation by it of the transactions contemplated hereby.

**Section 4.4 Consents.**

(a) Neither the Burns Trustees in their capacity as trustees of Burns Trust nor Burns Trust is required to give notice to, make any declaration, filing or registration with, or obtain any Consent from, any Person in connection with: (a) the execution and delivery by Burns Trust of this Agreement and each of the other Closing Documents to which any of them is a party, (b) the performance by Burns Trust or by Burns Trustees in their capacity as trustees of Burns Trust of its or their, as the case may be, obligations hereunder or thereunder, or (c) the consummation of the transactions contemplated hereby or thereby.

(b) All necessary consents, approvals, licences, orders or authorizations, registrations, declarations and filings with any Governmental Authority or other person have been obtained by Burns Trust or by Burns Trustees in their capacity as trustees of Burns Trust, as the case may be, in connection with the execution and delivery by Burns Trust of this Agreement and the observance and performance by the Burns Trust and Burns Trustees in their capacity as trustees of Burns Trust of its or their, as the case may be, obligations under this Agreement.

**Section 4.5 No Conflict.**

Neither the execution and delivery by Burns Trustees in their capacity as trustees of Burns Trust of this Agreement or each of the other Closing Documents to which Burns Trust is a party, nor the performance of Burns Trust's and the Burns Trustees' obligations hereunder and thereunder and the consummation of the transactions contemplated hereby and thereby, will directly or indirectly (with or without notice or lapse of time or both):

(a) conflict with, or result in a breach of, or constitute a default under any restrictions of any kind by which either Burns Trust (or any assets of Burns Trust) is bound;

(b) to the Knowledge of Burns Trustees in their capacity as trustees of Burns Trust contravene, conflict with, or violate any Applicable Law; or

(c) give any Person the right to challenge any transaction contemplated hereby or thereby or to exercise any remedy, under any Applicable Law to which Burns Trust is subject.

**Section 4.6 Proceedings and Orders.**

There is no suit, action, litigation, arbitration or governmental proceeding, including appeals and applications for review, in progress, pending, or, to the best of Knowledge of Burns Trustees in their capacity as trustees of Burns Trust, threatened against or relating to Burns Trust or any outstanding judgment, decree, injunction, rule or order of any court, Governmental Authority or arbitrator respecting Burns Trust which, in any case, might adversely affect the ability of Burns Trust to enter into this Agreement or to consummate the transactions contemplated hereby.

**Section 4.7 Restrictions on Transfer.**

Except for those restrictions on transfer contained in the Constatting Documents of the Acquired Company, there are no restrictions of any nature whatsoever imposed on Burns Trust regarding the transfer of Burns Membership to the Purchaser.

**Section 4.8 Taxes.**

Burns Trust is not a non-resident of Canada within the meaning of the ITA and Burns Membership owned by Burns Trust through its Trustees does not constitute "taxable Canadian property" within the meaning of the ITA.

**Section 4.9 Legal and Financial Advice.**

Burns Trustees in their capacity as trustees of Burns Trust confirm that they are solely responsible for obtaining the legal, tax, investment and other professional advice with respect to the execution, delivery and performance by Burns Trust and by Burns Trustees in their capacity as trustees of Burns Trust of this Agreement and the transactions contemplated hereunder. Burns Trustees in their capacity as trustees of Burns Trust have not relied upon any statements made by or purporting to have been made on behalf of the Purchaser or its counsel with respect to this Agreement.

**ARTICLE 5  
REPRESENTATIONS AND WARRANTIES  
AS TO THE ACQUIRED COMPANY AND THE BUSINESS**

Each of Kent and Burns Trust by Burns Trustees as its trustees, represents and warrants to the Purchaser as follows, and acknowledge that the Purchaser is relying upon the following representations and warranties in connection with its purchase of the Purchased Membership:

**Section 5.1 Status and Authority.**

(a) The Sellers have delivered to the Purchaser copies of the Constatting Documents of the Acquired Company.

(b) The Acquired Company is a limited liability company duly organized, validly existing and in good standing under the laws of the State of Washington, is in good standing thereunder, and has full power, authority and capacity to own and operate its property and assets, to carry on its business as currently conducted and proposed to be conducted and to enter into and

perform its obligations under all Applicable Contracts. The Acquired Company is not in default under or in violation of any of its Constatng Documents.

(c) The Acquired Company is duly qualified to do business as a limited liability company entity under the provisions of Applicable Law of each jurisdiction in which the ownership, operation or leasing of its properties and assets or the conduct of its business requires it to be so qualified, and is in good standing thereunder.

**Section 5.2 No Conflict.**

The execution and delivery of this Agreement and the performance of the transactions contemplated hereby, will not directly or indirectly (with or without notice or lapse of time or both):

(a) conflict with, or result in a breach of, or constitute a default under, (i) any Constatng Documents of the Acquired Company or, to the Knowledge of the Sellers, other restrictions of any kind by which the Acquired Company (or any assets of the Acquired Company) is bound, or (ii) any resolutions of the directors or shareholders of the Acquired Company;

(b) give any Person the right to challenge any transaction contemplated thereby or to exercise any remedy, under any Applicable Law to which the Acquired Company is subject;

(c) result in a breach of, or accelerate the obligations of the Acquired Company, relieve any other Person of its obligations, or give any other Person the right to declare a default or to exercise any right or remedy under, any Applicable Contract; or result in the imposition or creation of any Encumbrance on any assets owned or used by the Acquired Company; or

(d) cause the Purchaser or the Acquired Company to become subject to, or liable for, the payment of any Tax (other than any sales Tax or other similar Tax resulting from the sale of the Purchased Membership), or to the Knowledge of the Sellers, cause any assets owned or used by the Acquired Company to be reassessed or revalued by any Governmental Authority.

**Section 5.3 Title to Shares and Capitalization.**

(a) The authorized and issued Purchased Membership of the Acquired Company are as set out in the above recitals. Except for the issued Purchased Membership of the Acquired Company set out in the above recitals, no securities of the Acquired Company are outstanding. The Purchased Membership are duly authorized, validly issued, fully paid and non-assessable, have been issued in compliance with all Applicable Law and constitute 100% of the membership interests in the Acquired Company.

(b) The Purchased Membership are not issued in violation of any Applicable Securities Laws.

(c) Except for the right of the Purchaser to acquire the Purchased Membership pursuant to the Agreement, No Person has any right to acquire any further membership interest of the Acquired Company or any other securities of the Acquired Company. Upon completion of the transactions contemplated by this Agreement, the Purchaser shall have legal and beneficial and good, valid and marketable title to the entire Purchased Membership free and clear of all Encumbrances, other than those restrictions on transfer, if any, set out in the Constatng Documents of the Acquired Company.

(d) There are no Contracts relating to or otherwise affecting any portion of the Purchased Membership or other securities of the Acquired Company, including any Contract relating to the sale, issuance, voting, transfer, purchase, redemption or other acquisition thereof, and no such Contract is contemplated or under discussion or negotiation.

(e) Except for those restrictions on the transfer of Purchased Membership contained in the Constatting Documents of the Acquired Company, there are no restrictions of any nature whatsoever imposed on the Acquired Company regarding the transfer of any portion of Purchased Membership or other securities of the Acquired Company of any kind.

**Section 5.4 No Subsidiaries.**

The Acquired Company: (i) has no subsidiaries, (ii) other than securities comprising part of the assets which are removed from the Acquired Company as part of the Pre-Closing Transactions, and which are described in Section 5.4 of the Karst Disclosure Schedule does not hold any securities, or any other direct or indirect interest or participation of any nature whatsoever, in any Person, and (iii) is not obligated to acquire any of the foregoing, nor to otherwise make any investment (whether in the form of a loan, capital contribution, or otherwise) in any other Person, and no Contracts to this effect are contemplated or under discussion or negotiation.

**Section 5.5 Consents.**

The Acquired Company is not required to give notice to, make any declaration, filing or registration with, or obtain any Consent from, any Person in connection with (a) the execution and delivery of this Agreement and each of the other Closing Documents, (b) the performance by the Sellers or the Acquired Company of their respective obligations hereunder or thereunder, or (c) the consummation of the transactions contemplated hereby or thereby.

**Section 5.6 Business Conducted.**

Following the completion of the Pre-Closing Transactions, the only business of the Acquired Company shall be the holding of the 100% interest in the Royalty (the "**Business**").

**Section 5.7 Title to and Sufficiency of Assets.**

(a) The Acquired Company holds a 100% undivided legal and beneficial interest in the Royalty, is the sole and beneficial owner of, and has good and marketable title to the Royalty free and clear of all Encumbrances.

(b) The Acquired Company does not own, possess or use any asset other than the Royalty and the properties and assets which are to be removed from the Acquired Company as part of the Pre-Closing Transactions.

(c) There is no Contract or other right in favour of, or held by, any Person to acquire the Royalty or any interest therein or parts thereof.

(d) The Acquired Company is not in breach or default of any of the terms of the Royalty Agreement or the Option and Purchase Agreement, and to the Knowledge of the Acquired Company there exists no condition that would result in any breach or default of any term of the Royalty Agreement or the Option and Purchase Agreement by any other party thereto. The Royalty Agreement is in good standing and in full force and effect and has not been amended. The Option

and Purchase Agreement is in good standing and in full force and effect and has not been amended. No state of facts exists, which, after notice or lapse of time or both, would constitute a default or breach by the Acquired Company under the Royalty Agreement or the Option and Purchase Agreement. The Acquired Company has not received any notice of any default, breach or termination of the Royalty Agreement or the Option and Purchase Agreement, or of any fact or circumstance which will, or is likely to, result in such a default, breach or termination.

(e) The Acquired Company has, to its Knowledge, disclosed to the Purchaser all facts known to the Acquired Company relating to the Royalty and the Properties which could be reasonably expected to be material to a Person intending to purchase the Royalty.

(f) Other than the Royalty Agreement and the Option and Purchase Agreement, there are no other Contracts under which the Sellers are entitled to any benefits pertaining to the Royalty. Schedule "C" contains a correct and complete copy of the Royalty Agreement and Schedule "D" contains a correct and complete copy of the Option and Purchase Agreement.

#### **Section 5.8 Karst Financial Statements.**

Section 5.8 of the Karst Disclosure Schedule sets forth true and complete copies of the Karst Financial Statements. The Karst Financial Statements (a) fairly present the financial condition and the results of operations, changes in shareholders' equity and cash flows of the Acquired Company as at the respective dates of and for the periods referred to in, the Karst Financial Statements, and (b) were prepared in accordance with IFRS. The Karst Financial Statements were prepared from, and are consistent with, the Books and Records of the Acquired Company.

#### **Section 5.9 Books and Records; Corporate Records.**

(a) The Books and Records of the Acquired Company are complete and accurate in all material respects, represent actual, *bona fide* transactions, and have been maintained in accordance with sound business practices and the requirements of Applicable Law. Without limiting the generality of the foregoing, all material transactions of the Acquired Company have been accurately recorded in its Books and Records.

(b) The Corporate Records of the Acquired Company are complete and accurate in all material respects and have been maintained in accordance with the requirements of Applicable Law.

(c) All Books and Records and Corporate Records of the Acquired Company are in the full possession and control of the Acquired Company, as applicable, are owned exclusively by them, and are located at the registered office of the Acquired Company or with its legal advisors.

#### **Section 5.10 Tangible Personal Property.**

The Acquired Company does not own, lease or otherwise use or operate any tangible personal property.

#### **Section 5.11 Real Property.**

The Acquired Company does not have any interest in any real property including all buildings, plants and structures located on any real property.

**Section 5.12 Accounts Receivable.**

As reflected in the Karst Interim Financial Statements, there are no accounts receivable of the Acquired Company as of the date of the Karst Interim Financial Statements. Section 5.12 of the Karst Disclosure Schedule lists all parties having accounts receivable as of the date of the Karst Interim Financial Statements.

**Section 5.13 Undisclosed Liabilities.**

To the Knowledge of the Sellers, the Acquired Company does not have any undisclosed liability or obligation of any nature (whether known or unknown, and whether absolute, accrued, contingent, or otherwise).

**Section 5.14 Insurance.**

The Acquired Company maintains no insurance policies and no claims were made under any policies of insurance maintained by or for the benefit of the Acquired Company over the past twelve (12) months prior to the date hereof.

**Section 5.15 Banking Information.**

Section 5.15 of the Karst Disclosure Schedule sets forth and describes the name and location (including municipal address) of each bank, trust company or other institution in which the Acquired Company has an account, money on deposit, or a safety deposit box, and the names of all Persons who are authorized signatories thereon or who have access thereto or control thereover.

**Section 5.16 Employees and Consultants.**

(a) Section 5.16(a) of the Karst Disclosure Schedule lists all current and former directors, all current and former Managing Members and all current and former officers (with office held) of the Acquired Company.

(b) The Acquired Company:

- (i) is not a party to any written or oral policy, agreement, obligation or understanding providing for severance or termination payments to, or any employment or consulting agreement with, any director or officer of the Acquired Company that cannot be terminated without payment;
- (ii) does not have any employee or consultant whose employment or contract with the Acquired Company cannot be terminated without payment; and
- (iii) (A) is not a party to any collective bargaining agreement, (B) is not subject to any application for certification or threatened or apparent union-organizing campaigns for employees not covered under a collective bargaining agreement, and (C) is not subject to any current, pending or threatened strike or lockout;
- (iv) has complied with all of the terms of any pension, social security contributions, and other employee compensation and benefit obligations of the Acquired Company including the provisions of any collective

agreements, funding and investment contracts or obligations applicable thereto, arising under or relating to each of the pension or retirement income plans or other employee compensation or benefit plans, agreements, policies, programs, arrangements or practices, whether written or oral, which are maintained by or binding upon the Acquired Company.

**Section 5.17 Proceedings and Orders.**

(a) No Proceedings are outstanding or pending, or, to the Knowledge of the Sellers, have been threatened, by or against the Acquired Company, or any Designated Person in respect of the Acquired Company; and, to the Knowledge of the Sellers, no event has occurred and no circumstance exists that could give rise to any such Proceeding.

(b) Neither the Acquired Company, any assets owned or used by the Acquired Company, including any real property, nor any Designated Person in respect of the Acquired Company is subject to any Order; and no event has occurred and no circumstance exists that could give rise to any such Order. No event has occurred and no circumstance exists that could constitute or result in (with or without notice or lapse of time or both) a violation of, or failure to comply with, any Order to which the Acquired Company, or any assets owned or used by the Acquired Company, are subject. The Acquired Company has at all times been in compliance with each Order to which it, or any assets owned or used by it, are or have been subject.

**Section 5.18 Permits.**

As at the date hereof the Acquired Company currently holds no Permits. No Permits are required for the Business of the acquired confirmation and no Permit is required for the transfer of the Purchased Membership to Purchasers free and clear from all Encumbrances.

**Section 5.19 Compliance with Applicable Law.**

The business of the Acquired Company is and has been conducted, and the assets owned or used by the Acquired Company in the conduct thereof, are and have been operated by it, at all times, in compliance with all provisions of Applicable Law (including Environmental Law). Neither the Acquired Company nor any Designated Person in respect of the Acquired Company has received any notice or other communication (whether oral or written) from any Person regarding any actual, alleged or potential violation of, or failure to comply with, any Applicable Law, or any actual, alleged or potential obligation to undertake, or to bear all or any portion of the cost of, any remedial action under Applicable Law; and, to the Knowledge of the Sellers, no event has occurred and no circumstance exists that might (i) directly or indirectly, constitute or result in a violation of, or a failure on the part of the Acquired Company or any Designated Person in respect of the Acquired Company to comply with, any Applicable Law, or (ii) give rise to any obligation on the part of the Acquired Company to undertake or to bear all or any portion of the cost of any remedial action, under any Applicable Law.

**Section 5.20 Environmental Matters.**

(a) Without limiting the generality of any other provision hereof the Acquired Company has at all times complied with all Environmental Laws.

(b) No Hazardous Substances have been located on, under or in the property in which the Acquired Company had access within five (5) years prior to the date hereof.

(c) Neither the Acquired Company nor any Designated Person in respect of the Acquired Company has caused or permitted a Discharge of any Hazardous Substance, nor has any such Discharge resulted from its business or activities, including the operation of the Business.

(d) No above-ground or underground storage tanks or associated piping or appurtenances, or landfills, surface impoundments, or disposal areas, whether active or abandoned has ever been located on properties in which the Acquired Company holds or held interest and no management, disposal and remedial action has ever been taken in connection therewith.

(e) To the Knowledge of the Sellers, neither the Acquired Company nor any Designated Person in respect of the Acquired Company is or has ever been (i) inspected or investigated for any actual, alleged or potential breach or violation of, non-compliance with or liability under any Environmental Law, (ii) charged with, settled any prosecution for, convicted of or sentenced for any offence under Environmental Law, (iii) subject to or responsible for any characterization, environmental assessment, clean-up, remediation, rehabilitation, restoration or any other corrective action under any Environmental Law, or voluntarily conducted any of the foregoing, or (iv) subject to any Order or request by a Governmental Authority under any Environmental Law; and no event has occurred and no circumstance exists that could give rise to any of the foregoing.

(f) Without limiting the generality of Section 5.16, there is no Environmental Proceeding pending or threatened against the Acquired Company or Designated Person in respect of the Acquired Company; and no event has occurred and no circumstance exists that could give rise to any Environmental Proceeding.

(g) Neither the Acquired Company, nor any Designated Person in respect of the Acquired Company has initiated or requested to be initiated any communications, environmental assessments, audits, studies, analyses, tests and other environmental reports and documents (including all drafts thereof) pertaining to any property, or to any Hazardous Substance or Hazardous Activity therein, thereon or thereunder, or concerning the compliance with Environmental Law of the Acquired Company or a Designated Person in respect of the Acquired Company, or the application of Environmental Law to the Acquired Company or any such Designated Person.

(h) The Acquired Company is not required to maintain any environmental or operating documents or records under any Environmental Law.

(i) The Acquired Company has disclosed to the relevant Governmental Authority, or to such other Person to whom it is required to disclose under Applicable Law, any event, incident and information that it is required to disclose under Environmental Law.

(j) No amount is due by the Acquired Company to any Governmental Authority or any other Person under any Environmental Law.

(k) The Acquired Company owns all right, title and interest in all Environmental Attributes that are associated with or arose out of the business conducted by it, free and clear of

all Encumbrances. For purposes hereof, “**Environmental Attribute**” means any emission unit, credit, reduction, offset and other emission allowance.

(l) The Acquired Company is not considered to be an emitter, under Environmental Law, for the purpose of any cap and trade system or other similar emission allowance regime.

**Section 5.21 Taxes.**

(a) Since its inception, the Acquired Company has (i) been properly treated as a partnership for Federal, state and local income Tax purposes, and has not made an election, by IRS Form 8832, the non-application of subchapter K of the Revenue Code of 1986 pursuant to Section 761(a) of the Revenue Code of 1986, or otherwise, to be treated as a corporation and (ii) has not been a “publicly traded partnership” within the meaning of Section 7704 of the Revenue Code of 1986.

(b) To the Acquired Company's or the Sellers Knowledge, the Acquired Company is not a party to any joint venture, partnership or other arrangement that is treated as a partnership for federal income Tax purposes.

(c) The Acquired Company has prepared and filed all Tax Returns required to be filed by it with the appropriate Governmental Authority, within the prescribed period, in accordance with Applicable Law. To the Knowledge of the Sellers, each such Tax Return is true and complete. The Acquired Company is not, and has never been, a member of a group of corporations with which it has filed, or been required to file, consolidated, combined, unitary or similar Tax Returns. The Acquired Company has delivered to the Purchaser copies of all Tax Returns and all notices of assessment or reassessment related thereto with respect to all tax periods ending after December 31, 2016.

(d) Except for US withholding tax which has been remitted to US tax authorities on behalf of Ann Burns as are set out in Section 5.21(d) of the Karst Disclosure Schedule, the Acquired Company has paid all Taxes and installments of Taxes required to be paid to any Governmental Authority before the Closing Date, within the prescribed period, pursuant to Applicable Law. No deficiency with respect to the payment of any Taxes or installments of Taxes has been asserted in writing against the Acquired Company by any Governmental Authority. Adequate provision has been made, in the Books and Records of the Acquired Company, for all Taxes payable by it for all taxable periods ending, or deemed to end, on or immediately prior to the Closing Date, and, where no taxable period ends or is deemed to end on or immediately prior to the Closing Date, for all Taxes in respect of any time prior to the Closing Date.

(e) The Acquired Company has duly and timely withheld and collected all Taxes required by Applicable Law to be withheld or collected by it and has duly and timely remitted to the appropriate Governmental Authority all such Taxes, as and when required by Applicable Law. The amount of any Taxes withheld or collected but not remitted by the Acquired Company has been retained in its accounts and will be remitted by it to the appropriate Governmental Authority when due.

(f) There are no Proceedings pending or, to the Knowledge of the Sellers, threatened against the Acquired Company in respect of any Taxes, there are no matters under discussion, audit or appeal with any Governmental Authority relating to Taxes, and no event has occurred and no circumstance exists that could give rise to any of the foregoing.

(g) The Acquired Company has not requested, entered into or executed any Contract or other arrangements, or any waiver, providing for any extension of time within which (i) to file any Tax Return, or any election, designations or similar filing relating to Taxes; (ii) it is required to pay or remit any Taxes or amounts on account of Taxes, or (iii) any Governmental Authority may assess or collect Taxes. The Acquired Company has not entered into any Contract with, or provided any undertaking to, any Person pursuant to which it has assumed liability for the payment of Taxes owing by such Person.

(h) To the Knowledge of the Sellers, the Acquired Company will not be required to include any item of income in the computation of taxable income (including the Acquired Company item that may be included in the computation of the taxable income of the Purchaser of any of its Affiliates) for any taxable period or portion thereof ending after the Closing Date as a result of any installment sale or open transaction disposition made on or prior to the Closing Date, any prepaid amount received prior to the Closing Date on or prior to the Closing Date.

(i) The Acquired Company is not resident of Canada for purposes of the ITA. The Acquired Company is not nor has been, at any time, associated (within the meaning of the ITA) with any other corporation.

#### **Section 5.22 Contracts.**

(a) Other than the Agreement, the Binding Term Sheet, the Option and Purchase Agreement, the Royalty Agreement and any Contract entered in connection with the Pre-Closing Transactions, the Acquired Company is not a party to any Applicable Contract:

- (i) involving the performance of services, the delivery of goods or materials, or payments by the Acquired Company, of an amount or value in excess of US\$5,000, or having a term of more than two (2) years regardless of the amount or value thereof;
- (ii) providing for the payment of cash or other benefits upon the sale, amalgamation, merger or other change of control of the Acquired Company or a substantial portion of its assets;
- (iii) affecting the ownership, leasing, use, operation or management of, title to, or any leasehold or other interest in, any real property or any personal property;
- (iv) creating any Encumbrances;
- (v) involving any joint venture, partnership, or limited liability company agreement;
- (vi) containing covenants that in any way purport to restrict the right or freedom of the Acquired Company, or of any other Person (including any current or former Employee or consultant) for the benefit of the Acquired Company, to (A) engage in any business activity, (B) engage in any line of business or compete with the Acquired Company or any other Person, (C) solicit any Person to enter into a business or employment relationship, or enter into such a relationship with any Person, or (D) disclose, use, develop,

enforce, prosecute, maintain, transfer, license or otherwise exploit any Intellectual Property;

- (vii) for capital expenditures over the last two years in excess of US\$5,000;
- (viii) relating to indebtedness of the Acquired Company in excess of US\$5,000, or to any bond or letter of credit or pursuant to which (A) the Acquired Company has assumed or is otherwise bound to support or be liable for the obligations of another Person, or (B) any other Person has assumed or is otherwise bound to support or be liable for the obligations of the Acquired Company, including any surety, guarantee or indemnity;
- (ix) under which the Acquired Company has made any loan to or investment in any Person in excess of US\$5,000;
- (x) containing any obligation of confidentiality or nondisclosure between the Acquired Company and any other Person (including any current or former employee or consultant), whether for the benefit of the Acquired Company or such other Person;
- (xi) that was not entered into in the ordinary and usual course of business consistent with past practice.

(b) There is no renegotiation of, attempt to renegotiate or outstanding rights to renegotiate any Applicable Contract (other than a Contract with the view of facilitating Pre-Closing Transactions) with any Person, and no Person has requested any such renegotiation.

(c) Each Applicable Contract to which the Applicable Corporation is a party has been entered into in the ordinary and usual course of business consistent with past practice and without the commission of any act, or any consideration having been paid or promised, in violation of any Applicable Law. The Acquired Company has the requisite capacity, including the necessary personnel, equipment and supplies, to perform all Applicable Contracts.

### **Section 5.23 Intellectual Property Rights.**

The Acquired Company does not own, has never owned, licensed and did not make any use of any Intellectual Property Rights either of its own or of any from another Person.

### **Section 5.24 Absence of Certain Changes and Events.**

Since January 1, 2019 and other than pursuant to the Pre-Closing Transactions, the Acquired Company has conducted its business in the ordinary and usual course consistent with past practice, and the Acquired Company has not:

- (a) made any amendment to its Constatng Documents;
- (b) issued, changed, purchased, redeemed, retired or otherwise acquired any of its Acquired Shares or other securities, reduced its capital, or declared or paid any dividend or other distribution or payment in respect of its securities;

(c) paid any benefits, bonus, salary or other compensation, including fees and expenses, to any shareholder, member, employee, consultant, officer or director, or authorized or made any increase or decrease therein, other than in the ordinary and usual course of business consistent with past practice and as required under the terms of any Contract then in effect, or entered into or amended any employment, severance, bonus, retirement, loan or other Contract with any such Person;

(d) entered into, consummated or implemented any transaction or series of transactions involving (A) the acquisition of the business, securities or assets of any other Person (other than purchases of inventory in the ordinary and usual course of business consistent with past practice), whether by merger, exchange, consolidation, acquisition of securities or assets, or otherwise, or (B) the liquidation, dissolution, restructuring, merger, consolidation, recapitalization or other reorganization of the Acquired Company;

(e) made any capital investment in or loan to (or series of related capital investments or loans, and acquisitions) any other Person outside the ordinary and usual course of business consistent with past practice;

(f) incurred any indebtedness for borrowed money, including advances on existing credit facilities, or issued any debt security, in excess of US\$5,000 in the aggregate, guaranteed or otherwise assumed any obligation or responsibility for any indebtedness of any Person, whether contingently or otherwise, or granted or permitted the creation of any Encumbrance on any asset owned or used by it;

(g) sold, leased, licensed or otherwise disposed of any of its assets or properties (other than sales of its inventory in the ordinary and usual course of business consistent with past practice) or entered into any sale and leaseback transaction;

(h) made any capital expenditures (or series of related capital expenditures) in excess of US\$5,000 in the aggregate, or outside the ordinary and usual course of business consistent with past practice;

(i) initiated, compromised or settled any Proceeding or threatened Proceeding by or against it, cancelled any indebtedness owing to it or waived or released any claim or right;

(j) changed any of its accounting methods, principles or practices or removed or appointed any auditor;

(k) made or rescinded any Tax election or amended any Tax Return;

(l) increased its reserves for contingent liabilities;

(m) written up or written down the value of any assets owned or used by it, including inventory, except on account of depreciation and amortization in the ordinary and usual course of business consistent with past practice;

(n) suffered any damage to or destruction or loss of any asset owned or used by it, whether or not covered by insurance;

(o) entered into, amended, terminated or suffered the termination or expiration of, or received a notice of termination of, any Applicable Contract listed in Section 5.22(a) of the Karst Disclosure Schedule, other than in accordance with the terms of such Applicable Contract;

(p) entered into any other transaction or taken any action, outside the ordinary and usual course of business consistent with past practice; or

(q) authorized or approved any of the foregoing actions, or agreed or committed by Contract or otherwise to do any of the foregoing.

(r) To the Acquired Company's Knowledge, this Agreement does not contain any untrue statement by the Sellers of a material fact nor has the Acquired Company omitted to state in this Agreement a material fact necessary in order to make the statements contained herein not misleading

### **Section 5.25 Transactions with Affiliates.**

No Seller and no Affiliate of any Seller or of the Acquired Company has any interest in any asset owned or used by the Acquired Company and other than in connection with the Pre-Closing Transactions:

(a) the Acquired Company is not a party to any Applicable Contract with a Seller or Affiliate of any Seller or of the Acquired Company, and following the completion of the Pre-Closing Transactions no Seller or any Affiliate of a Seller will have any claim or right against the Acquired Company; and

(b) the Acquired Company does not have business dealings or entered into any transaction (i) with a Seller, an Affiliate of any Seller or a Person in whom a Seller owned (of record or beneficially) any securities or had any other financial or profit interest (other than ownership of less than one percent of the outstanding capital stock of a Person that is listed on any recognized securities exchange) other than the Purchaser, or (ii) in which any of the Persons listed in (i) has a material financial interest; and no Person listed in (i) has engaged in competition with the Acquired Company.

### **Section 5.26 Privacy and Personal Information.**

The Acquired Company does not maintain or collect any information which falls within the definition of "personal information" under any Applicable Law relating to the collection, use and disclosure of personal information.

### **Section 5.27 Ethical Practices.**

Without limiting the generality of any other provision of this Agreement, the Acquired Company has not made or received, whether directly or indirectly, any contribution, gift, bribe, rebate, payoff, influence payment, kickback, or other payment to or from any Person, private or public, regardless of form, whether in money, property or services, in violation of any Applicable Law, including (i) to obtain favourable treatment in securing business, (ii) to pay for favourable treatment in business secured, or (iii) to obtain special concessions or for special concessions already obtained, for or in respect of the Acquired Company, nor has it established or maintained any fund or asset that has not been recorded in its Books and Records.

**Section 5.28 Work Product**

All reports, studies, plans, flow sheets, analyses or similar documents prepared by the Acquired Company for or on behalf of clients or customers of the Acquired Company were at the date of such documents accurate, and any conclusions contained therein were true and complete in all material respects and were prepared in a prudent manner in accordance with all relevant industry and professional standards.

**Section 5.29 Brokers' Fees.**

Neither the Acquired Company nor any Seller, and none of their respective Representatives or Affiliates, has incurred any obligation or liability, contingent or otherwise, for any brokerage or agent's commission, finder's fee or other similar payment in connection with this Agreement or the transactions contemplated hereby.

**Section 5.30 Private Issuer.**

The Acquired Company is a "private issuer" as that term is defined in National Instrument 45-106 – *Prospectus Exemptions* and the Acquired Company has never issued securities in any manner contrary to its Constating Documents nor has it ever distributed any such securities without the benefit of a prospectus exemption or an equivalent exemption from registration under the US Securities Act.

**ARTICLE 6  
REPRESENTATIONS AND WARRANTIES AS TO THE PURCHASER**

The Purchaser represents and warrants to each Seller as follows, and acknowledges that the Sellers are relying upon the following representations and warranties in connection with their sale of the Purchased Membership:

**Section 6.1 Status and Authority.** The Purchaser is a corporation incorporated under the laws of British Columbia and is in good standing under such laws. The Purchaser has full power, authority and capacity to own and operate its property and assets, to carry on its business as it is being conducted, to enter into this Agreement and each of the other Closing Documents to which it is a party, to execute and deliver same and to perform all of its obligations thereunder. The execution and delivery by the Purchaser of this Agreement and of each of the other Closing Documents to which it is a party, the performance of its obligations hereunder and thereunder, and the consummation of the transactions contemplated hereby and thereby, have been (or will be, prior to Closing) duly authorized by all necessary corporate action on its part.

**Section 6.2 Execution and Binding Obligation.**

This Agreement has been duly executed and delivered by the Purchaser and constitutes a valid and binding obligation of the Purchaser, enforceable against it in accordance with its terms. Each of the other Closing Documents to which the Purchaser is a party will be duly executed and delivered by it as and when required, on or prior to Closing, and, upon the execution and delivery thereof by the Purchaser, such Closing Documents shall constitute a valid and binding obligation of the Purchaser, enforceable against it in accordance with its terms.

**Section 6.3 No Conflict.**

Neither the execution and delivery by the Purchaser of this Agreement or the other Closing Documents to which the Purchaser is a party, nor the performance of its obligations hereunder and thereunder and the consummation of the transactions contemplated hereby and thereby, will directly or indirectly (with or without notice or lapse of time):

- (a) contravene, conflict with, or violate, any of the Constatng Documents of the Purchaser or any resolution adopted by its directors or shareholders;
- (b) contravene, conflict with, or violate any Applicable Law; or
- (c) give any Person the right to challenge any transaction contemplated thereby or to exercise any remedy under any Applicable Law to which the Purchaser is subject.

**Section 6.4 Proceedings and Orders.**

As of the date of this Agreement, no Proceedings or Orders are outstanding or pending, or have been threatened, against the Purchaser, that would impair, in any manner, its ability to perform its obligations under this Agreement or any other Closing Documents to which it is party, or to consummate the transactions contemplated hereby or thereby.

**Section 6.5 Issuance of Consideration Shares.**

The Consideration Shares to be issued as part of the Purchase Price will be, when issued in accordance with the terms of this Agreement, validly issued as fully paid and non-assessable shares in the share capital of the Purchaser.

**Section 6.6 Securities Law Matters.**

(a) The Purchaser is in compliance in all material respects with all of the rules, policies and requirements of the TSXV, and the common shares of the Purchaser are currently listed on the TSXV.

(b) The Purchaser is currently a “reporting issuer” in the provinces of British Columbia and Alberta and is in compliance, in all material respects, with all of its obligations as a reporting issuer and since incorporation has not been the subject of any investigation by any stock exchange or any Securities Regulator, is current with all material filings required to be made by it under Applicable Securities Laws and other laws, is not aware of any material deficiencies in the filing of any documents or reports with any Securities Regulators and there is no material change relating to the Purchaser which has occurred and with respect to which the requisite news release or material change report has not been filed with the Securities Regulators.

(c) No order, ruling or determination having the effect of suspending the sale or ceasing the trading in any securities of the Corporation has been issued by any regulatory authority and is continuing in effect and no proceedings for that purpose have been instituted or, to the knowledge of the Corporation, are pending, contemplated or threatened by any regulatory authority.

**ARTICLE 7**  
**COVENANTS OF SELLERS PRIOR TO CLOSING**

**Section 7.1 Access and Investigation.**

Prior to the Closing Date, and upon reasonable notice from the Purchaser, the Sellers shall, and shall cause the Acquired Company to (a) afford the Purchaser and its Representatives (collectively, the “**Purchaser Group**”) full and free access, to the personnel, assets of the Acquired Company, including: Contracts, Books and Records and Corporate Records, Permits, Tax Returns and all such other information and documents pertaining to the Acquired Company, the business conducted by it and the representations and warranties made by the Sellers hereunder as the Purchaser may reasonably request, (b) furnish the Purchaser Group with copies of all such documents regarding any of the foregoing as the Purchaser may reasonably request, and (c) otherwise cooperate and assist, to the extent reasonably requested by the Purchaser, with the Purchaser’s investigation of the business, condition (financial or otherwise), assets, results of operations or prospects of the Acquired Company.

At the request of the Purchaser, the Sellers shall execute or cause the Acquired Company to execute, as required, such consents, authorizations and directions as may be necessary to enable the Purchaser and its Representatives to obtain access to all files and records maintained by Governmental Authorities in respect of the Acquired Company and its Business; provided, however, that no investigation made by the Purchaser or its Representatives shall affect the right of the Purchaser to rely on any representation or warranty made by the Sellers in this Agreement or in any Closing Document.

**Section 7.2 Operation of the Business of the Acquired Company.**

Except as otherwise permitted by this Agreement or with the prior written consent of the Purchaser, during the period from the date of this Agreement to the Closing Date, each of the Acquired Company and the Sellers shall, as applicable:

- (a) conduct the business of the Acquired Company, or cause the business of the Acquired Company to be conducted only in the ordinary and usual course of business consistent with past practice;
- (b) (i) not, and cause the their respective Representatives to not (A) initiate, solicit, entertain, negotiate, accept or discuss with any third party, directly or indirectly, any proposal or offer, including any existing proposal or offer (an “**Acquisition Proposal**”), to acquire any material part of the business, properties or share capital of the Acquired Company, whether by merger, recapitalization, arrangement, amalgamation, purchase of membership interests, purchase of assets, take-over bid or otherwise, (B) provide or disclose any information to any third party in connection with an Acquisition Proposal or (C) enter into any agreement, arrangement or understanding with any third party requiring the Acquired Company to abandon, terminate or fail to consummate the transactions contemplated under this Agreement;

- (ii) immediately cease and ensure that their respective Representatives immediately cease and cause to be terminated, any existing solicitations, discussions or negotiations with any Persons (other than the Purchaser or its Affiliates) by any of them with respect to any Acquisition Proposal whether or not initiated by the Acquired Company and, in connection therewith, the Sellers and the Acquired Company, will discontinue access to any data rooms (virtual or otherwise) and shall as soon as practicable request the return or destruction of all information provided to any third parties who have entered into a confidentiality agreement with the Sellers or the Acquired Company relating to any potential Acquisition Proposal and shall use all reasonable efforts to ensure that such requests are honoured in accordance with the terms of such confidentiality agreements; provided that the Sellers and the Acquired Company, as applicable, shall not release any third party from or waive any confidentiality or standstill agreement; and
  - (iii) from and after the date of hereof, the Sellers shall forthwith (and in any event within 24 hours) notify the Purchaser, of any proposal, inquiry, offer (or any amendment thereto) or request relating to or constituting an Acquisition Proposal, any request for non-public information relating to the Acquired Company, in connection with an Acquisition Proposal of which any of the Representatives become aware, or any amendments to the foregoing;
- (c) not issue any securities of the Acquired Company and not transfer, sell, encumber or otherwise dispose of any portion of Purchased Membership;
  - (d) comply with all provisions of Applicable Law, and all Applicable Contracts of the Acquired Company;
  - (e) not adopt, implement or otherwise become bound by any Employee Plan;
  - (f) maintain all Books and Records of the Acquired Company consistent with past practice;
  - (g) make no material changes in management personnel of the Acquired Company; and
  - (h) take no action, or fail to take any reasonable action within its control, as a result of which any of the changes or events listed in Section 5.24 (including as could be applicable to the Acquired Company) would be likely to occur.

### **Section 7.3 Filings and Consents.**

As promptly as practicable after the date of this Agreement, and in any event within the applicable time period prescribed by Applicable Law, each Seller shall, and shall cause the Acquired Company to, make all filings and applications and to give all notifications required to be made or given by it,

under Applicable Law, in connection with the transactions contemplated hereby. Each Seller shall, and shall cause the Acquired Company to, cooperate with the Purchaser and their respective Representatives, (a) with respect to all filings, applications and notifications that the Purchaser elects or is required to make by Applicable Law in connection with the transactions contemplated herein, including application for approval by the TSXV (if any) of the transactions contemplated under this Agreement, and (b) in obtaining the Consents required by the Purchaser to own and operate the Acquired Company from and after the Closing Date.

**Section 7.4 Notification of Breach.**

Prior to the Closing, the Sellers shall promptly give notice to the Purchaser of:

- (a) any Material Adverse Change affecting any of the Acquired Company, or any fact, event, condition or circumstance that could result in any such Material Adverse Change;
- (b) any breach of any representation or warranty of one or more of the Sellers, or any fact, event, condition or circumstance that would or would reasonably be likely to result in such representation or warranty being inaccurate in any respect as of the time of the occurrence thereof, had such representation or warranty been made as of such time, together with particulars thereof; and
- (c) any breach of any covenant of the Sellers in this Article 7 and of all corrective actions undertaken, or to be undertaken, by the Sellers with respect thereto.

**Section 7.5 Payment of Indebtedness by Sellers.**

The Sellers shall cause all indebtedness owed to the Acquired Company by any Seller, or any Affiliate of any Seller, to be paid in full prior to Closing.

**Section 7.6 Termination of Agreements.**

As of the Closing Date, all Contracts between the Acquired Company on the one hand, and any of the Sellers or their subsidiaries or Affiliates (other than the Acquired Company), on the other hand, shall be terminated as between them and shall be without any further force and effect, and there shall be no further obligations of any of the relevant parties thereunder.

**ARTICLE 8  
COVENANTS OF PURCHASER PRIOR TO CLOSING**

**Section 8.1 Application to TSXV.**

Immediately upon execution of this Agreement, the Purchaser shall make, or will have made, application to the TSXV for the approval of the transactions contemplated by this Agreement, including the listing of the Consideration Shares, and shall use its best efforts to have the Consideration Shares posted and listed for trading on the TSXV upon issuance immediately upon Closing.

**Section 8.2 Creation of Consideration Shares.**

The Purchaser shall fulfill all legal requirements to permit the creation and issuance of the Consideration Shares at the Closing.

**Section 8.3 Issuance of Consideration Shares.**

The Purchaser shall ensure that, at the Closing, the Consideration Shares are duly authorized and validly created and, upon receipt of full payment therefor, are issued as fully paid and non-assessable shares in the capital of the Purchaser.

**Section 8.4 Statutory Filings.**

The Purchaser shall file or cause to be filed all forms, notices, documents, applications, undertakings or certificates required to be filed by the Purchaser (including all related fees) so that the distribution of the Consideration Shares may lawfully occur without the necessity of filing a prospectus or similar document in any jurisdiction of Canada or the United States.

**ARTICLE 9  
POST-CLOSING COVENANTS**

**Section 9.1 Cooperation and Access.**

After the Closing the Sellers, on the one hand, and the Purchaser, on the other hand, shall make available to the other Party(ies) and to their respective accountants, Tax advisors or legal counsel, any Books and Records in the non-requesting Party's custody or control, for the purpose of preparing any financial statement or Tax Return or preparing for or defending any Tax-related examination of the requesting Party or the Acquired Company by any Governmental Authority. The Party requesting access to such Books and Records shall reimburse the non-requesting Party for the reasonable out-of-pocket costs and expenses incurred by the non-requesting Party. The non-requesting Party shall afford access to such Books and Records during normal business hours, upon reasonable advance notice given by the requesting Party, and subject to such reasonable limitations as the non-requesting Party may impose to delete or to protect sensitive or privileged information, including the execution by Persons (if they are not the Sellers) of non-disclosure agreements in form and substance acceptable to the Purchaser.

**Section 9.2 Confidentiality.**

(a) As used in this Section 9.2, the term "**Confidential Information**" includes, all information concerning the Acquired Company, including information pertaining to the Business, its products, services, operations and affairs, Intellectual Property Rights, Contracts and Personal Information, including the names and backgrounds of key personnel, and all personnel training techniques and materials, regardless of form or format and whether communicated or accessed in writing, orally, through visual or electronic means or otherwise.

(b) Each Seller acknowledges the confidential and proprietary nature of the Confidential Information and agrees that such Seller shall, except to the extent required for a Seller (or any of its related principals) who is employed by the Acquired Company or an Affiliate thereof to fulfill his or her or its duties in the course of such employment, from and after the Closing: (i) keep the Confidential Information confidential and deliver promptly to the Purchaser, or immediately destroy at the Purchaser's option, all embodiments and copies of the Confidential Information that

are in such Seller's possession; (ii) not use the Confidential Information for any reason or purpose; and (iii) without limiting the foregoing, not disclose the Confidential Information to any Person, except with the prior written Consent of the Purchaser.

(c) The Purchaser acknowledges the confidential and proprietary nature of the Confidential Information and agrees that the Purchaser shall, prior to the Closing, keep the Confidential Information confidential and, if the Closing does not occur, shall (i) deliver promptly to the Sellers, or immediately destroy at the Sellers' option, all embodiments and copies of the Confidential Information that are in the Purchaser's possession; (ii) not use the Confidential Information for any reason or purpose; and (iii) without limiting the foregoing, not disclose the Confidential Information to any Person, except with the prior written Consent of the Sellers. For greater clarity, the parties hereto acknowledge that upon the Closing the Confidential Information pertaining to the Acquired Company and its assets shall become the property of the Purchaser and upon the Closing the Purchaser shall cease to have obligations set out in this Section 9.2(c) to the Sellers in respect of the Confidential Information pertaining to the Acquired Company or its assets and business. Notwithstanding the foregoing, the Purchaser shall at all times (including following Closing) comply with all Applicable Laws regarding the protection of privacy and personal information with respect to Kent and the Burns Trustees.

(d) Section 9.2(b) and (c) do not apply to that part of the Confidential Information (other than Personal Information) that becomes generally available to the public other than as a result of a breach of this Section 9.2 by the relevant Party. Confidential Information shall not be deemed "generally available to the public" merely because it is included or incorporated in more general information that is publicly available or because it combines features which individually may be publicly available.

(e) If any Party becomes compelled in any Proceeding or otherwise, under Applicable Law, to make any disclosure that is prohibited by this Section 9.2, such Party shall, to the extent legally permissible, promptly advise the other Parties thereof, in writing, so that any of them, or all of them, may seek an appropriate protective order or other appropriate remedy or waive compliance with the provisions of this Section 9.2. In the absence of a protective order or other remedy, such Party may disclose that portion (and only that portion) of the Confidential Information that, based upon the opinion of such Party's counsel, such Party is legally compelled to disclose; provided, however, that such Party shall use its best efforts to obtain written assurance that any Person to whom any Confidential Information is so disclosed shall accord confidential treatment to such Confidential Information.

(f) Without limiting any other provision hereof, nothing in this Section shall diminish the protections and benefits to which any Personal Information or trade secret of the Acquired Company is entitled under Applicable Law. If any information that the Acquired Company asserts to be a trade secret under Applicable Law is found by a court of competent jurisdiction not to be such a trade secret, such information shall nonetheless be considered Confidential Information of that Acquired Company for purposes of this Section.

### **Section 9.3 Tax Matters.**

(a) The parties hereto acknowledge and agree that the purchase of the Purchased Membership sold by the Sellers hereby is intended to be treated, for U.S. federal income Tax purposes, as the acquisition of the assets of the Acquired Company by the Purchaser (as to the Purchaser) and the sale of partnership interests by the Sellers (as to the Sellers) consistent with

situation 2 of Internal Revenue Service Revenue Ruling 99-6, 1999-1 C.B. 432. For federal income Tax purposes, (x) pursuant to Section 708(b)(1) of the Revenue Code of 1986, the Acquired Company shall terminate on the Closing Date as a result of the Purchaser becoming the sole member of the Company, (y) the taxable year of the Acquired Company shall end on the Closing Date, and (z) the Acquired Company shall be treated as an entity disregarded as separate from its sole owner, the Purchaser, immediately after the Closing Date. The Sellers shall file and assist the Purchaser as set out in Section 9.3(b) below with filing all Tax Returns and statements, forms and schedules in connection therewith in a manner consistent with the tax treatment described in this paragraph, and shall take no position contrary thereto unless required to do so by applicable Law. For the avoidance of doubt, for state and federal income tax purposes, all items of income, loss and expense arising through and including the Closing Date shall be allocated to the Sellers and all items of income, loss and expense arising from and after the Closing Date shall be allocated to the Purchaser.

(b) The Purchaser shall cause the Acquired Company to prepare and file all Tax Returns due by the Acquired Company after the Closing Date in respect of periods ending on or before or which include the Closing Date, which Tax Returns shall be prepared and filed on a timely basis. Not less than thirty (30) days prior to the due date of any such Tax Return, the Purchaser shall provide the Sellers with a substantially final draft of the Tax Return (the "**Draft Return**"). The Sellers and their accountants have the right to review the Draft Return and any working papers relating to its preparation. Within fifteen (15) days after the date that the Sellers receive the Draft Return, the Sellers shall advise the Purchaser in writing that they either agree with the Draft Return or that they do not agree with the Draft Return, in which case the Sellers shall set out, in reasonable detail, the basis for such disagreement. In the event of a disagreement, the Sellers and the Purchaser shall attempt to resolve such disagreement; provided, however, that if they fail to reach agreement, then the disagreement shall be resolved by a firm of independent public accountants to be designated by mutual agreement of the Sellers and the Purchaser, failing which the firm shall be PricewaterhouseCoopers LLP. The fees and expenses of the accountants in making any such determination shall be borne 50% by the Sellers and 50% by the Purchaser.

(c) The Acquired Company shall pay or cause to be paid all Taxes shown as due on the Tax Returns prepared in accordance with Section 9.3(b).

(d) The Purchaser and the Sellers shall cooperate fully, as and to the extent reasonably requested by the other Party, in connection with the filing of Tax Returns and any Proceeding with respect to Taxes. Such cooperation shall include the provision of records and information reasonably relevant to any such Proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder.

(e) The Sellers shall, jointly and severally, indemnify Purchaser Indemnitees and hold them harmless from and against (i) all Taxes of the Acquired Company or relating to the business of the Acquired Company for all taxable periods ending on or before the Closing Date and, with respect to any taxable period beginning before and ending after the Closing Date, the portion of such taxable period ending on and including the Closing Date (the "**Pre-Closing Tax Periods**"), including without limitation liability for Taxes under Internal Revenue Code Section 280E; and (ii) any and all Taxes of any person imposed on the Acquired Company arising under the principles of transferee or successor liability or by contract, relating to an event or transaction occurring before the Closing Date. In each of the above cases, together with any out-of-pocket fees and expenses

(including attorneys' and accountants' fees) incurred in connection therewith. The Sellers shall reimburse the Purchaser Indemnitees for any Taxes of the Acquired Company that are the responsibility of the Sellers pursuant to this Agreement within ten (10) Business Days after payment of such Taxes by any of the Purchaser Indemnitees. The parties hereto agree that should an Indemnifying Party not make full payment of any such obligations within such 10 Business Day period, any amount payable shall thereafter accrue interest to the date such payment has been made at a rate per annum equal to 15%. Such interest shall be calculated daily on the basis of a 365 day year and the actual number of days elapsed.

(f) The Purchaser agrees to give prompt notice to the Sellers of any notices from a taxing authority, the assertion of any claim, or the commencement of any tax audit, suit, action or proceeding in respect of which indemnity may be sought under this Agreement (a "**Tax Claim**"); provided, that the failure or delay to notify the Sellers of a Tax Claim will not relieve the Sellers of any liability that they may have to the Purchaser Indemnitees under this Agreement, except to the extent that the Sellers have been actually prejudiced by the failure or delay to give such notice. The Sellers may, at their own expense, (i) participate in and (ii) with respect to Tax Claims that relate solely to Taxes for which the Sellers would be solely liable, assume the defense of any such Tax Claim, so long as the Sellers provide written notice to Purchaser of their intent to assume the defense of such Tax Claim within five (5) days after receiving notice of such matter; provided that (i) the Sellers' counsel is reasonably satisfactory to the Purchaser Indemnitees, (ii) the Sellers shall thereafter consult with Purchaser upon Purchaser's reasonable request for such consultation from time to time with respect to such Tax Claim and (iii) the Sellers shall not, without the Purchaser's consent, which consent shall not be unreasonably withheld or delayed, settle, resolve, compromise or abandon such Tax Claim. Purchaser shall have the right (but not the duty) to participate in the defense thereof and to employ counsel, at its own expense, separate from the counsel employed by the Sellers. The Purchaser Indemnitees shall not settle, resolve, compromise or abandon any Tax Claim in respect of which indemnity may be sought hereunder without the consent of the Sellers, which consent shall not be unreasonably withheld or delayed, unless the Sellers elect not to assume such defense. The Sellers shall be liable for the fees and expenses of counsel employed by the Purchaser Indemnitees for any period during which the Sellers has not assumed the defense thereof. Whether or not the Sellers choose to defend or prosecute any claim, all of the parties hereto shall cooperate in the defense or prosecution thereof.

(g) The rights and remedies of the Purchaser Indemnitees set forth in Section 9.3(e) and Section 9.3(f) are cumulative and, as such, are in addition to any other rights and remedies available to the Purchaser Indemnitees under the Agreement and/or under Applicable Law.

#### **Section 9.4 Removal of Restrictive Legends**

The Parties acknowledge that the Consideration Shares Certificates will be issued with restrictive legends as required by applicable Securities Laws ("**Restrictive Legends**"). The Purchaser agrees to provide all required assistance to the Sellers in connection with any request or application by the Sellers to have the Restrictive Legends removed as permitted by applicable Securities Laws, including making any required application to the Purchaser's registrar and transfer agent. Specifically with regard to any Restrictive Legend required pursuant to United States Securities Laws, such legend may be removed by providing a declaration to the Purchaser's registrar and transfer agent substantially in the form set out at Schedule "E", and the Purchaser agrees to provide, through its United States legal counsel, the required form of legal opinion (an indicative form of which is set out at Schedule "F").

## **ARTICLE 10 CONDITION PRECEDENT TO PURCHASER'S OBLIGATIONS**

The obligations of the Purchaser hereunder are subject to the satisfaction, at or prior to the Closing, of the condition set forth below, which may be waived in whole or in part by the Purchaser.

### **Section 10.1 TSXV Approval.**

The Purchaser shall have received the consent and approval to the transactions contemplated hereby, including the issuance of the Consideration Shares to the Sellers from the TSXV; provided that, and it is hereby agreed that the Purchaser shall act in good faith in seeking such consent and approval and shall promptly provide the Sellers with copies of all materials to be submitted by the Purchaser in its application to the TSXV (including drafts of such materials prior to their submission), including but not limited to the initial application to the TSXV and the acceptance letters issued by the TSXV.

## **ARTICLE 11 TERMINATION**

### **Section 11.1 Termination by Consent.**

This Agreement may be terminated at any time prior to the Closing, by the mutual consent of the Purchaser and the Sellers.

### **Section 11.2 Termination by Purchaser.**

(a) This Agreement may be terminated by notice given by the Purchaser to the Sellers, at any time prior to or at the Closing if satisfaction of the condition in Article 10 by the Closing Date becomes impossible, other than through the failure of the Purchaser to comply with its obligations under this Agreement.

(b) This Agreement may be terminated by notice given by the Purchaser to the Sellers if the Closing does not occur on the Closing Date, subject to extension thereof in accordance with Article 13, on account of the failure of one or both of the Sellers to satisfy its or their, as the case may be, obligations set out in this Agreement (which are not waived by the Purchaser).

### **Section 11.3 Termination by Sellers.**

(a) In the event that the Closing does not occur on the Closing Date, subject to extension thereof in accordance with Article 13, on account of the failure of the Purchaser to satisfy its obligations set out in this Agreement (which are not waived by the Sellers), this Agreement may be terminated by notice given by the Sellers to the Purchaser.

### **Section 11.4 Effect of Termination.**

Each Party's right of termination under this Article is in addition to any other right it may have under this Agreement or otherwise, and the exercise of a Party's right of termination will not constitute an election of remedies. If this Agreement is terminated pursuant to this Article 11, this Agreement will be of no further force or effect; provided, however, that (a) this Section 11.4 and Section 11.5 and Section 9.2 will survive the termination of this Agreement and will remain in full force and effect,

and (b) the termination of this Agreement will not relieve any party from any liability for any breach of this Agreement occurring prior to termination. Notwithstanding anything to the contrary in this Agreement, if this Agreement is terminated for any reason and the Deposit shall have been released to Karst and the Purchaser shall have reimbursed Karst for the Karst Expenses in accordance with this Agreement, the Purchaser shall have no further obligation or liability of any nature or kind whatsoever to any Person in connection with this Agreement. In addition to the foregoing, on termination, the Sellers shall be released from any confidentiality obligations under Section 9.2, except for the obligations of each of the Sellers to comply at all times (including following Closing) with all Applicable Laws regarding the protection of privacy and personal information with respect to the Purchaser its Affiliates and their respective Representatives.

#### **Section 11.5 Release of Deposit.**

The Parties hereto agree as follows:

(a) if the Closing shall not be completed on the Closing Date, subject to extension thereof in accordance with Article 13, by reason of (i) the mutual agreement of the Parties to terminate this Agreement pursuant to Section 11.1, or (ii) the occurrence of any event that would entitle the Purchaser to terminate this Agreement pursuant to Section 11.2, then the Deposit shall be released to the Purchaser;

(b) if the Closing shall not be completed on the Closing Date, subject to extension thereof in accordance with Article 13, on account of the failure of the Purchaser to satisfy its obligations set out in this Agreement (which are not waived by the Sellers), then the Deposit shall be released to Karst, and the Purchaser shall reimburse Karst for the Karst Expenses; or

(c) if Closing has not occurred by the Outside Date for any reason other than as described at Section 11.5(a) or (b) above, then the full amount of the Deposit shall be released from trust and paid to Karst and the Purchaser shall also reimburse Karst for the Karst Expenses, without prejudice to any other rights the Sellers may have against the Purchaser.

## **ARTICLE 12 INDEMNIFICATION**

#### **Section 12.1 Survival.**

(a) All representations, warranties, covenants and obligations in this Agreement, the Karst Disclosure Schedule and any certificate, document or other writing delivered pursuant to this Agreement shall survive the Closing and the consummation and performance of the transactions contemplated hereby for a period of two years.

(b) The waiver by a Party of any condition relating to any representation, warranty, covenant or obligation shall not affect the right of that Party to indemnification, payment, reimbursement or other remedy based upon such representation, warranty, covenant or obligation.

#### **Section 12.2 Indemnification, Payment and Reimbursement by Sellers.**

(a) Kent and Burns Trust (severally as between Kent and Burns Trust) shall indemnify and hold harmless the Purchaser, the Acquired Company and their respective Representatives,

equityholders, subsidiaries, and Affiliates, (collectively, the “**Purchaser Indemnitees**”), from, and shall pay or reimburse to the Purchaser Indemnitees the amount of, any Loss that the Purchaser Indemnitees or any of them may suffer, sustain, or become subject to, as a result of, in connection with, or relating to:

- (i) any breach of any representation or warranty made by the Sellers in (A) this Agreement or a corresponding section of any of the Karst Disclosure Schedule or (B) any other certificate, document, or other writing delivered by the Sellers pursuant to this Agreement;
- (ii) any breach of any covenant or obligation of the Sellers in this Agreement or any of the other Closing Documents or in any certificate, document or other writing delivered by any of them pursuant to this Agreement;
- (iii) (A) any Taxes of the Acquired Company relating to Pre-Closing Tax Periods and (B) any liability of the Acquired Company for Taxes of any other Person, as a transferee or successor, by Contract or otherwise relating to Pre-Closing Tax Periods as provided in Section 9.3;
- (iv) any alleged or actual liability under any Environmental Law, arising out of or relating to, in whole or in part, any actions that were taken (or not taken), events that occurred or any fact, circumstance or condition that existed, prior to the Closing Date; or
- (v) any and all Losses of the Acquired Company or the Purchaser Indemnitees in connection with any dispute that may arise or be brought forward in connection with the activities or business of the Acquired Company relating to periods prior to the Closing Date.

(b) The indemnification obligations set out in Section 12.2(a) above shall constitute the sole remedy available to the Purchaser Indemnitees with respect to any and all breaches of any representation, warranty or covenant made or to be made by the Sellers in this Agreement or any other Closing Documents.

### **Section 12.3 Indemnification, Payment and Reimbursement by Purchaser.**

The Purchaser shall indemnify and hold harmless each of Kent and Burns Trust from, and shall pay to them the amount of, or reimburse them for, any Loss that they or any of them may suffer, sustain, or become subject to, as a result of, in connection with, or relating to:

(a) any breach of any representation or warranty made by the Purchaser in (i) this Agreement, or (ii) in any other certificate, document, or other writing delivered by the Purchaser pursuant to this Agreement; or

(b) any breach of any covenant or obligation of the Purchaser in this Agreement or in any certificate, document, or other writing delivered by them pursuant to this Agreement.

The indemnification obligations set out in this Section 12.3 shall constitute the sole remedy available to Kent and Burns Trust with respect to any and all breaches of any representation, warranty or covenant made or to be made by the Purchaser in this Agreement or other Closing Documents.

#### **Section 12.4 Time Limitations.**

(a) For purposes hereof, "**Tax Warranties**" means all representations and warranties in this Agreement that relate or apply to Taxes, directly or indirectly, including those in Section 4.8 (Taxes) or Section 5.21 (Taxes).

(b) If the Closing occurs, the Sellers shall have liability under Section 12.2(a)(i), with respect to any breach of a representation or warranty, if, and only if, the Purchaser notifies the relevant Sellers of a claim, specifying the factual basis of the claim in reasonable detail to the extent known by the Purchaser, within the following time periods:

- (i) in the event of a breach of any Tax Warranties, at any time on or before the date that is ninety (90) days after the expiration of the last of the limitation periods contained in any Applicable Law subsequent to the expiration of which an assessment or reassessment or other form or recognized document assessing liability for Tax thereunder for the period ended on the Closing Date cannot be issued to the Acquired Company (such period to include any period extended by any agreement, waiver or arrangement with any Governmental Authority);
- (ii) in the event of a breach of any representation and warranty made by the Sellers or by Burns Trustees as the case may be in this Agreement, in respect of the interest of the Sellers and the Acquired Company to the Royalty as at the time of the Closing and in respect to lack of any encumbrance of the Royalty as at the time of the Closing and there shall be no time limitation within which a claim may be made; and
- (iii) in the event of a breach of any other representation and warranty made by the Sellers or by Burns Trustees, as the case may be, in this Agreement, on or before the date that is three years after the Closing Date.

(c) If the Closing occurs, the Purchaser shall have liability under Section 12.3(a) with respect to any breach of a representation or warranty if, and only if, on or before the date that is two years after the Closing Date, the Sellers notify the Purchaser of a claim specifying the factual basis of the claim in reasonable detail to the extent known by the Sellers.

(d) Notwithstanding anything to the contrary contained in this Section 12.4, in the case of fraud, intentional misrepresentation or willful misconduct, there shall be no time limitation within which a claim may be made.

#### **Section 12.5 Third-Party Claims.**

(a) For purposes of this Section 12.5, "**Third Party**" means a Person other than a Party.

(b) A Person who may claim a right of indemnification under Section 12.2 or Section 12.3 (an "**Indemnified Person**") shall give notice of the assertion of any claim by a Third Party, whether or not involving a Proceeding (a "**Third-Party Claim**") to the Sellers or the Purchaser (an "**Indemnifying Person**"), as the case may be; provided, however, that no failure or delay on the part of an Indemnified Person in notifying an Indemnifying Person will relieve the Indemnifying

Person from any obligation under this Section 12.5, except to the extent that the failure or delay materially prejudices the defense of the Third-Party Claim by the Indemnifying Person.

(c) Except as provided in Section 12.5(f), the Indemnifying Person may elect to assume the defense of the Third-Party Claim with counsel satisfactory to the Indemnified Person, acting reasonably, by (i) giving notice to the Indemnified Person of its election to assume the defense of the Third-Party Claim, and (ii) giving the Indemnified Person evidence acceptable to the Indemnified Person that the Indemnifying Person has adequate financial resources to defend against the Third-Party Claim and fulfill its obligations under this Section 12.5, in each case no later than ten (10) days after the Indemnified Person gives notice of the assertion of a Third-Party Claim under Section 12.5(b).

(d) If the Indemnifying Person elects to assume the defense of a Third-Party Claim:

- (i) it shall diligently conduct the defense and, so long as it diligently conducts the defense, shall not be liable to the Indemnified Person for any Indemnified Person's fees or expenses subsequently incurred in connection with the defense of the Third-Party Claim, other than reasonable costs of investigation;
- (ii) the election shall conclusively establish for purposes of this Agreement that the Indemnified Person is entitled to relief under this Agreement for any Loss arising, directly or indirectly, from or in connection with the Third-Party Claim;
- (iii) no compromise or settlement of such Third-Party Claim may be effected by the Indemnifying Person without the Indemnified Person's consent unless (A) there is no finding or admission of any violation by the Indemnified Person of any Applicable Law or any rights of any Person, (B) the Indemnified Person receives a full release of and from any other claims that may be made against the Indemnified Person by the Third-Party bringing the Third-Party Claim, and (C) the sole relief provided is monetary damages that are paid in full by the Indemnifying Person; and
- (iv) the Indemnifying Person shall have no liability with respect to any compromise or settlement of such Third-Party Claim that is effected without its consent.

(e) If the Indemnifying Person does not assume the defense of a Third-Party Claim in the manner and within the period provided in Section 12.5(c), or if the Indemnifying Person does not diligently conduct the defense of a Third-Party Claim, the Indemnified Person may conduct the defense of the Third-Party Claim at the expense of the Indemnifying Person, and the Indemnifying Person shall be bound by any determination resulting from such Third-Party Claim or any compromise or settlement effected by the Indemnified Person.

(f) Notwithstanding the foregoing, an Indemnified Person may, by notice to the Indemnifying Person, assume the exclusive right to defend, compromise or settle any Third-Party Claim if (i) the Indemnified Person determines in good faith that there is a reasonable probability that a Third-Party Claim may adversely affect it or any Affiliate, other than as a result of monetary damages for which it would be entitled to relief under this Agreement, or (ii) the Indemnified Person

is advised by counsel that there is an actual or potential conflict in the Indemnifying Person's and the Indemnified Person's respective interests or that additional defenses are available to the Indemnified Person that makes representation by the same counsel inappropriate or unadvisable.

(g) In the event that a Third-Party Claim is of a nature such that the Indemnified Person is required by Applicable Law to make a payment to any Person with respect to such Third-Party Claim before the completion of settlement negotiations or related Proceedings, such Indemnified Person may make such payment and the Indemnifying Person shall, forthwith after demand by the Indemnified Person, reimburse the Indemnified Person for any such payment. If the amount of any liability under the Third-Party Claim in respect of which such a payment was made, as finally determined, is less than the amount which was paid by the Indemnifying Person to the Indemnified Person, the Indemnified Person shall, forthwith after receipt of the difference from the Third Party, pay such difference to the Indemnifying Person.

(h) Notwithstanding the provisions of Section 1.3, the Sellers consent to the nonexclusive jurisdiction of any court in which a Claim is brought against any Indemnified Person for purposes of determining any claim that an Indemnified Person may have under this Agreement with respect to such Claim or the matters alleged therein.

(i) With respect to any Third-Party Claim subject to this Section 12.5:

- (i) any Indemnified Person and any Indemnifying Person, as the case may be, shall keep the other Person fully informed of the status of such Third-Party Claim and any related proceeding at all stages thereof where such Person is not represented by its own counsel; and
- (ii) both the Indemnified Person and the Indemnifying Person, as the case may be, shall render to each other such assistance as they may reasonably require of each other and shall cooperate in good faith with each other in order to ensure the proper and adequate defense of any Third-Party Claim.

(j) In addition to Section 9.2, with respect to any Third-Party Claim subject to this Section 12.5 the Parties shall cooperate in a manner to preserve in full (to the extent possible) the confidentiality of all Confidential Information and the attorney-client and work-product privileges. In connection therewith, each Party agrees that:

- (i) it shall use its best efforts, in respect of any Third-Party Claim in which it has assumed or participated in the defense, to avoid the production of any Confidential Information (consistent with Applicable Law and rules of procedure); and
- (ii) all communications between any Party and counsel responsible for or participating in the defense of any Third-Party Claim shall, to the extent possible, be made so as to preserve any applicable attorney-client or work-product privilege.

(k) Any claim under this Section 12.5 for any matter involving a Third-Party Claim shall be indemnified, paid, or reimbursed promptly. If the Indemnified Person shall for any reason assume the defense of a Third-Party Claim, the Indemnifying Person shall reimburse the

Indemnified Person on a monthly basis for the costs of investigation and the reasonable fees and expenses of counsel retained by the Indemnified Person.

**Section 12.6 Other Claims.**

A claim under this Article for any matter not involving a Third-Party Claim may be made by notice to the Sellers or the Purchaser, as the case may be, and shall be indemnified, paid, or reimbursed promptly after such notice.

**Section 12.7 Principles of Indemnification.**

(a) For purposes hereof, the amount of any indemnified Losses shall be determined without duplication of any other Loss for which an indemnification claim has been made or could be made under any other representation, warranty, covenant, or agreement and shall be computed net of payments recoverable by the Indemnified Person under any insurance policy with respect to such Losses.

(b) Payments made by any Indemnifying Person hereunder shall be reduced by the amount of any insurance proceeds received by the Indemnified Person.

(c) Any payments by one Party to another for the benefit of the other Party made pursuant to this Article shall be treated by the Parties on all applicable Tax Returns as an adjustment to the Purchase Price.

(d) For purposes of any indemnity obligation under this Section 12.5 with respect to any incorrectness or breach of any representation or warranty or any breach or non-fulfillment of any covenant, condition or obligation contained in this Agreement (including for purposes of calculating Losses and for purposes of determining whether any such incorrectness, breach or non-fulfillment occurred), any qualifications or limitations set forth in such representation or warranty as to knowledge, materiality, material adverse effect (or derivative of such terms or other similar materiality qualifier) contained therein shall be disregarded.

**ARTICLE 13  
EXTENSION OF THE CLOSING DATE**

**Section 13.1 Extension of the Closing Date to accommodate TSXV Approval**

(a) The parties acknowledge, that the receipt of a final TSXV approval of the transactions contemplated herein may required in order to complete such transactions contemplated herein and the Parties agree to extend the Closing Date to accommodate the receipt of such final approval, provided that all requisite documents, available to the Purchaser in respect of the transactions contemplated herein and requested by the TSXV in connection with the issuance of approvals, have been submitted to the TSXV within two Business Days of the effective day of this Agreement. In the event that to the Knowledge of the Purchaser, the receipt of final TSXV approval, if required to the complete the transactions contemplated herein, will reasonably be expected to require an extension of the Closing Date in accordance with this Section 13.1(a), the Purchaser will, in addition to the obligations of Section 10.1, provide the Sellers with copies of all communications received from TSXV following the effective date of this Agreement in respect of the TSXV approval of the transactions contemplated herein.

**Section 13.2 Extension of the Closing Date to accommodate Closing**

(a) The Parties acknowledge that the Closing may require Parties to depend on provision of certain services by third parties. To facilitate the Closing the Parties hereby agree to extend the Closing Date by up to two Business Days if such extension is required by either Party to facilitate the Closing.

**Section 13.3 Outside Date**

(a) Notwithstanding Section 13.1(a) and Section 13.2(a), the Closing Date will not be later than December 27, 2019 (the "**Outside Date**").

**ARTICLE 14  
MISCELLANEOUS**

**Section 14.1 Fees and Expenses.**

(a) Except as otherwise provided in this Agreement or the other Closing Documents (including but not limited to Sections 2.4, 11.4 and 11.5(b)), each Party will bear its respective fees and expenses incurred in connection with the preparation, negotiation, execution and performance of this Agreement, and the consummation and performance of the transactions contemplated hereby, including all fees and expenses of its Representatives.

(b) The Acquired Company has not incurred, and Sellers will cause the Acquired Company not to incur, any fees or expenses in connection with this Agreement and the transactions contemplated hereby; provided, however, that to the extent such fees and expenses have been incurred by the Acquired Company, the Acquired Company will pay out any such fees and expenses (including amounts owing to the Acquired Company's professional advisors) prior to the Closing. The obligation of each Party to bear its own fees and expenses is subject to any rights of such Party arising from a breach of this Agreement by another Party.

**Section 14.2 Public Announcement.**

Except to the extent required by Applicable Law, the Sellers shall not make or cause to be made, and the Sellers shall not permit the Acquired Company to make or cause to be made, any disclosure or public announcement regarding this Agreement or the transactions contemplated without the prior written consent of the Purchaser.

Without limiting the foregoing, the Parties acknowledge that the Purchaser is a publicly traded corporation and is subject to timely disclosure requirements pursuant to Applicable Securities Laws and the requirements of the TSXV ("**Disclosure Obligations**"). Notwithstanding anything to the contrary contained in this Agreement, the Purchaser may at any time make public announcements pertaining to the transactions contemplated under this Agreement, as may be required from time to time to comply with the Purchaser's Disclosure Obligations.

**Section 14.3 Entire Agreement.**

This Agreement supersedes all prior agreements, understandings, negotiations and discussions, whether written or oral, between the Parties with respect to its subject matter and constitutes (collectively with other documents to be delivered pursuant to this Agreement) a complete and

exclusive statement of the terms of the agreement between the parties with respect to the subject matter of this Agreement.

**Section 14.4 Amendment.**

This Agreement may only be amended, supplemented or otherwise modified by a writing executed by the Purchaser and the Sellers.

**Section 14.5 Further Assurances.**

The Parties shall execute and deliver to each other such other documents and do such other acts and things as a Party may reasonably request for the purpose of carrying out the intent of this Agreement, the transactions contemplated hereby and the Closing Documents.

**Section 14.6 Assignment.**

Except as specifically otherwise provided in this Section 14.6, this Agreement and the rights hereunder are not assignable unless such assignment is consented to in writing by each of the Purchaser and the Sellers. Any purported assignment of rights or delegation of obligations in violation of this Section 14.6 shall be null and void, and of no effect. Subject to the preceding sentence, this Agreement and all the provisions hereof shall be binding upon and shall inure to the benefit of the Parties and their respective heirs, executors, legal personal representatives, successors and permitted assigns, as applicable.

**Section 14.7 Remedies Cumulative.**

The rights and remedies of the Parties are cumulative and not alternative.

**Section 14.8 Enforcement of Agreement.**

Each of the Parties acknowledges and agrees that the other Parties may be irreparably harmed if any of the provisions of this Agreement are not performed in accordance with their specific terms, and that any breach of this Agreement by a Party may not be adequately compensated in all cases by monetary damages alone. Accordingly, the Parties agree that, in addition to any other right or remedy to which the Parties may be entitled at law or in equity but subject to Section 11.4, each of the Parties shall be entitled to enforce any provision of this Agreement by specific performance and to obtain temporary, preliminary, and permanent injunctive relief to prevent any breach or threatened breach, without posting any bond or giving any other undertaking.

**Section 14.9 No Waiver.**

Neither any failure nor any delay by any Party in exercising any right, power, or privilege under this Agreement, or any of the documents referred to in this Agreement, shall operate as a waiver of such right, power, or privilege, and no single or partial exercise of any such right, power, or privilege, shall preclude any other or further exercise of such right, power, or privilege, or the exercise of any other right, power, or privilege. To the maximum extent permitted by Applicable Law (a) no claim or right arising out of this Agreement or any of the documents referred to in this Agreement may be waived by a Party, in whole or in part, unless made in a writing signed by such Party or the Sellers on behalf of a Seller; (b) a waiver given by a Party shall only be applicable to the specific instance for which it is given; and (c) no notice to or demand on a Party shall waive or otherwise affect any obligation of that Party, or affect the right of the Party giving such notice or demand to take further

action without notice or demand as provided in this Agreement or the documents referred to in this Agreement.

**Section 14.10 Notices.**

All notices and other communications required or permitted by this Agreement shall be in writing and shall be effective, and any applicable time period shall commence, when (a) delivered to the following address by hand or by a nationally recognized overnight courier service (costs prepaid) addressed to the following address, (b) mailed by certified or registered mail, return receipt requested, with postage prepaid, or (c) transmitted electronically to the following facsimile numbers or e-mail addresses, in each case marked to the attention of the Person (by name or title) designated below (or to such other address, facsimile number, e-mail address, or Person as a Party may designate by notice to the other parties):

If to the Purchaser, to:

**Osisko Metals Incorporated**  
1100 Ave Des Canadiens de Montréal, Bureau 300  
Montreal, Quebec H3B 2S2  
Attention: Mr. Paul Dumas  
Fax: (514) 861-4441  
Email: pdumas@osiskometals.com

with copies to:

**Peterson McVicar LLP**  
18 King Street East, Suite 902  
Toronto, ON M5C 1C4 Canada  
  
Attention: Andrey Shamis  
Email: ashamis@petelaw.com

If to the Sellers, to:

[REDACTED]

and to:

[REDACTED]

with copies to:

in the case of Kent:

**DLA Piper (Canada) LLP**  
Park Place, Suite 2800  
666 Burrard St  
Vancouver, BC V6C 2Z7 Canada

Attention: Don Collie  
Email: don.collie@dlapiper.com

in the case of Burns Trust:

Mary Simon, attorney  
Bremerton, Washington

Tel: (206) 714-5507  
Email: mary@svlgpllc.com

**Section 14.11 Counterparts and Electronic Signatures.**

(a) This Agreement and other documents to be delivered pursuant to this Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original copy and all of which, when taken together, shall be deemed to constitute one and the same agreement or document, and shall be effective when counterparts have been signed by each of the Parties and delivered to the other Parties.

(b) A manual signature on this Agreement or other documents to be delivered pursuant to this Agreement, an image of which shall have been transmitted electronically, shall constitute an original signature for all purposes. The delivery of copies of this Agreement or other documents to be delivered pursuant to this Agreement, including executed signature pages where required, by electronic transmission shall constitute effective delivery of this Agreement or such other document for all purposes.

**Section 14.12 Enurement.**

This Agreement will enure to the benefit of and will be binding upon the Parties and their respective successors and permitted assigns

**Section 14.13 Independent Legal Advice.**

Each Party hereto hereby acknowledges that such Party (and each of its related principals) has been advised to seek independent legal advice with respect to the execution and delivery of this Agreement and each of the other Closing Documents and has sought such advice or has determined that such advice is not required.

**Section 14.14 Language.**

The Parties confirm that it is their wish that this Agreement, as well as any other documents relating to this Agreement, including notices, schedules and authorizations, have been and shall be drawn up in the English language only.

*[Remainder of page left intentionally blank. Signature page follows.]*

**IN WITNESS WHEREOF**, the Parties hereto have caused this Agreement to be executed the day and year first above written.

**OSISKO METALS INCORPORATED**

\_\_\_\_\_  
Name: Paul Dumas  
Title: Executive VP Finance

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Margaret Meri Kent

**BURNS FAMILY 2012 TRUST**  
By its trustees, Ann A. Burns, Ian A. Burns,  
Russell L. Burns and Robert H. Burns

\_\_\_\_\_  
Name: Ann A. Burns  
Title: Trustee

\_\_\_\_\_  
Name: Ian A. Burns  
Title: Trustee

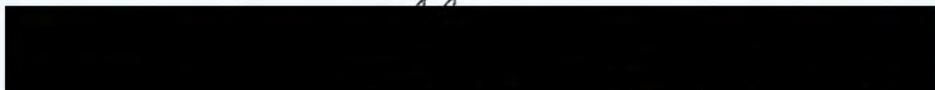
\_\_\_\_\_  
Name: Russell L. Burns  
Title: Trustee

\_\_\_\_\_  
Name: Robert H. Burns  
Title: Trustee

**IN WITNESS WHEREOF**, the Parties hereto have caused this Agreement to be executed the day and year first above written.

**OSISKO METALS INCORPORATED**

\_\_\_\_\_  
Name:  
Title:



Witness

\_\_\_\_\_  
**Margaret Meri Kent**

**BURNS FAMILY 2012 TRUST**  
By its trustees, **Ann A. Burns, Ian A. Burns,**  
**Russell L. Burns and Robert H. Burns**

\_\_\_\_\_  
Name: Ann A. Burns  
Title: Trustee

\_\_\_\_\_  
Name: Ian A. Burns  
Title: Trustee

\_\_\_\_\_  
Name: Russell L. Burns  
Title: Trustee

\_\_\_\_\_  
Name: Robert H. Burns  
Title: Trustee

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed the day and year first above written.

**OSISKO METALS INCORPORATED**

\_\_\_\_\_  
Name:  
Title:

\_\_\_\_\_  
Witness

\_\_\_\_\_  
**Margaret Meri Kent**

**BURNS FAMILY 2012 TRUST**  
By its trustees, Ann A. Burns, Ian A. Burns,  
Russell L. Burns and Robert H. Burns

\_\_\_\_\_

Name: Ann A. Burns  
Title: Trustee

\_\_\_\_\_  
Name: Ian A. Burns  
Title: Trustee

\_\_\_\_\_  
Name: Russell L. Burns  
Title: Trustee

\_\_\_\_\_

Name: Robert H. Burns  
Title: Trustee

**IN WITNESS WHEREOF**, the Parties hereto have caused this Agreement to be executed the day and year first above written.

**OSISKO METALS INCORPORATED**

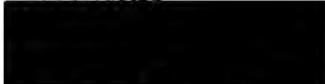
\_\_\_\_\_  
Name:  
Title:

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Margaret Meri Kent

**BURNS FAMILY 2012 TRUST**  
By its trustees, Ann A. Burns, Ian A. Burns,  
Russell L. Burns and Robert H. Burns

\_\_\_\_\_  
Name: Ann A. Burns  
Title: Trustee



\_\_\_\_\_  
Name: Ian A. Burns  
Title: Trustee



\_\_\_\_\_  
Name: Russell L. Burns  
Title: Trustee

\_\_\_\_\_  
Name: Robert H. Burns  
Title: Trustee

**KARST INVESTMENTS LLC**



---

Name: Margaret Meri Peggy Kent  
Title: Managing Member

## SCHEDULE "A"

### DEFINITIONS

Whenever used in this Agreement, the following words and terms have the meanings set out below:

**"Acquired Company"** means Karst, and includes, for greater certainty, their predecessor corporations and all entities merged, amalgamated or otherwise consolidated with any of them.

**"Acquisition Proposal"** has the meaning specified in Section 7.2(b).

**"Affiliate"** of any Person means, at the time that such determination is being made, any other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with such first Person; for purposes of the foregoing, a Person shall be deemed to control another Person if such first Person possesses, directly or indirectly, the power to direct or significantly influence, or cause the direction or influence of, the management and policies of such other Person, whether through the ownership of voting securities, by contract or in any other manner.

**"Agreement"** means this Membership Purchase Agreement together with all Schedules attached hereto, as the same may be amended, supplemented or restated in accordance with the provisions hereof, from time to time.

**"Applicable Contract"** means any Contract under which the referent Person has or could acquire any rights or become subject to any obligation or liability, or by which the referent Person or any assets owned or used by it are or could become bound.

**"Applicable Law"** means, in respect of any Person, property, activities, transaction or event, all laws (including principles of common law and equity), statutes, by-laws, rules, regulations, codes, treaties, directives, guidelines and policies (whether or not having the force of law), now or hereafter in effect, of any Governmental Authority having jurisdiction thereon or thereover, and any Orders issued, filed or imposed by any such Governmental Authority, including Securities Laws.

**"Binding Term Sheet"** means the Binding Term Sheet for the Acquisition by Osisko Metals of Karst Investments LLC (Holding a Royalty on the Pine Point Project) between the Sellers and the Purchaser dated October 8, 2019.

**"Books and Records"** means all records, documentation, files, correspondence and other information of any nature and in any form whatsoever (including written, printed, electronic, digital, photographic or computerized form), other than Corporate Records, relating to the referent Person, its business or assets, including all technical, business, financial, personnel and accounting records, financial books and records of account, Contracts, books, data, reports, lists, drawings, plans, logs, briefs, Tax Returns, budgets, pricing guidelines, operating data, credit information, employee and payroll records, software, computer files and programs, retrieval programs, formulae, business reports, registers, operating manuals, research materials, plans and projections, sales and purchase records, customer and supplier lists and title documents, surveys and certificates.

**"Burns Membership"** has the meaning specified in the recitals to this Agreement.\*\*\*

**“Burns Trustees”** has the meaning specified in the recitals to this Agreement.

**“Burns Trust”** has the meaning specified in the recitals to this Agreement.

**“Business”** has the meaning specified in Section 5.6.

**“Business Day”** means any day other than a Saturday, a Sunday or a day on which banks are required to be closed in Toronto, Ontario.

**“Closing”** has the meaning specified in Section 2.8.

**“Closing Cash Payments”** has the meaning specified in Section 2.5(a).

**“Closing Date”** means December 13, 2019 or such other date as the Parties may agree in writing, provided that the Closing Date shall not be later than the Outside Date.

**“Closing Documents”** means this Agreement and all other Contracts, releases, certificates, instruments and documents delivered or given pursuant to this Agreement.

**“Confidential Information”** has the meaning specified in Section 9.2(a).

**“Consent”** means any approval, permission, consent, ratification, waiver, exemption or other authorization.

**“Consideration Shares”** has the meaning specified in Section 2.3(b).

**“Consideration Shares Certificates”** has the meaning specified in Section 2.5(a)(ii).

**“Constating Documents”** means the articles and certificate(s) of incorporation and the articles or member agreement and certificate(s) of amendment, amalgamation, arrangement, reorganization, continuance or revival, as the case may be, of such body corporate or the memorandum of agreement, any charter, special act or statute and any other instrument or constating document by or pursuant to which the body corporate is incorporated or comes into existence, and its by-laws in effect from time to time; and all amendments to or restatements of any of the foregoing.

**“Contract”** means any agreement, contract, arrangement, understanding, consensual obligation, promise, commitment, engagement or undertaking, whether written, electronic or oral, express or implied, and whether or not legally binding, including any quotations, orders, proposals or tenders which remain open for acceptance.

**“Corporate Records”** means the corporate records of the referent Person, including its Constating Documents, any charter or similar document adopted or filed in connection with the creation, formation or organization, minutes of meetings and resolutions of shareholders and directors (including any committees), its securities register, register of transfers and register of directors, and the share certificates (or other evidence of ownership interest in the shares issued by it) issued by it since incorporation, or establishment under a statute or common law, whether such certificates are outstanding or cancelled.

**“Deposit”** has the meaning specified in Section 2.4;

**“Designated Person”** means a shareholder, director or officer of the referent Person or any other Person for whose conduct the referent Person is or could be held responsible under Applicable Law.

**“Discharge”** means any emission, discharge, release, deposit, issuance, spray, injection, abandonment, escape, spill, leak, seepage, disposal, burial, dispersal, exhaust, leaching or migration on or into the Environment, or into or out of any property, or any similar act or event as defined in any Environmental Law.

**“Disclosure Obligations”** has the meaning specified in Section 14.2.

**“Due Inquiry”** has the meaning specified in Section 1.4(a).

**“Employee Plan”** means any plan, Contract, program, policy or practice under which the Acquired Company has or could have any liability or contingent liability to make payments or to provide benefits to any of its current or former Employees, directors or officers, Consultants, or other individuals providing services of a kind normally provided by employees (or any spouses, dependents, survivors or beneficiaries of any such Persons), including any plan, Contract, program, policy or practice relating to retirement savings, retirement allowances, pensions, bonuses, profit sharing, stock purchase, stock option, stock bonus, employee stock ownership, phantom stock, stock appreciation rights, deferred compensation, incentive compensation, life or accident insurance, hospitalization, health, medical or dental treatment or expenses, disability, supplemental unemployment insurance benefits, employee loans, vacation pay, severance or termination pay or change of control, and any other benefit plan of any nature whatsoever, and any trust, escrow, or other Contract related thereto, other than government-sponsored pension, employment insurance, workers compensation or occupational health and safety and health insurance plans.

**“Encumbrance”** means any charge, condition, equitable interest, lien, option, pledge, hypothec, security interest, security agreement, mortgage, privilege, priority or prior claim; any financing lease, conditional or installment sale or title retention agreement; any right of way, easement, licence, encroachment or servitude; any option, right of pre-emption, first refusal or first offer or other right or restriction of any other Person, including any restriction on use, voting, transfer, receipt of income or exercise of any other attribute of ownership, whether or not subject to registration or constituting a real right or a right in real property; any exception, reservation, restrictive covenant or adverse claim affecting title of a Person to any asset or property; any community or other marital property interest; and any Contract to create any of the foregoing.

**“Environment”** means all components of the Earth including: (a) water (whether surface water or ground water, and including any drinking water supply and sewer system); (b) air (whether ambient air or the Earth’s atmosphere, but excluding the air within any structure or underground space); (c) soil, land surface and subsurface strata (whether submerged or covered by a structure); (d) organic and inorganic matter; living species and organisms; or (e) a combination of any of the foregoing; and, generally, the ambient milieu in which living species and organisms have dynamic relations.

**“Environmental Attribute”** has the meaning specified in Section 5.20(k).

**“Environmental Law”** means all provisions of Applicable Law, as well as all provisions of Contracts with Governmental Authorities, that relate to the Environment, Hazardous Substances or

Hazardous Activity, occupational health and safety as it pertains to the Environment, and public health.

**“Environmental Permit”** means any Permit required under Environmental Law.

**“Environmental Proceeding”** means any Proceeding relating in any way to or arising under any Environmental Law, including any Proceeding alleging any breach or violation of, non-compliance with, or liability under, any Environmental Law, and any discussion with, review by or appeal to any Governmental Authority relating to any Environmental Law.

**“IFRS”** means the international financial reporting standards issued by the International Accounting Standards Board as applicable to enterprises, as the same may be amended, restated or replaced from time to time.

**“Governmental Authority”** means any domestic or foreign government, whether federal, provincial, state, territorial, local, regional, municipal or of any other political jurisdiction, and any agency, authority, instrumentality, court, 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, and includes any official of any of the foregoing.

**“Hazardous Activity”** means the distribution, generation, handling, importing, management, manufacturing, extraction, processing, production, refinement, incineration, presence, Discharge (including a possible or threatened Discharge), storage, transfer, transportation, treatment or use of any Hazardous Substance, and any other act, business, operation or activity that endangers, increases the danger to or poses a risk of harm to the Environment or public health or that is prohibited or regulated by any Environmental Law.

**“Hazardous Substance”** means (a) any substance or material that is prohibited, regulated or designated as a pollutant, contaminant, toxic substance, deleterious substance, dangerous good, waste or residual material, hazardous waste or hazardous residual material, hazardous substance, hazardous material or any other similar designation, under any provision of Environmental Law, (b) any petroleum product or by-product and derivatives thereof, including oil and fuel of any kind, (c) any substance or material that is toxic, explosive, poisonous, corrosive, flammable, radioactive, oxidizing, leachable, carcinogenic or mutagenic, (d) asbestos and any asbestos-containing material, including asbestos-containing vermiculite, chlorinated solvents, polychlorinated biphenyls, lead paint and urea formaldehyde foam insulation, (e) mold, radon, pyrite and mercury, (f) any microorganism, sound, vibration, rays, heat, odour or radiation that is likely to alter the quality of the Environment in any way, and (g) any substance or material that is otherwise regulated by Environmental Law.

**“Indemnified Person”** has the meaning specified in Section 12.5(b).

**“Indemnifying Person”** has the meaning specified in Section 12.5(b).

**“Intellectual Property Rights”** means all intellectual property and industrial property and other proprietary rights and interests throughout the world, and all rights, title and interests thereto of every nature, whether registered or unregistered, including patents, copyrights, industrial designs,

integrated circuit topographies, mask works, design patents, utility models, trade secrets, or any other statutory provision or common law principle that provides a right in either intellectual property or the expression or use of intellectual property, and including any confidential information, ideas, formulae, algorithms, concepts, techniques, processes, procedures, approaches, methodologies, plans, systems, research, information, documentation, data, data compilations, specifications, requirements, designs, diagrams, inventions, technology, know-how, trade-marks, software, computer programs, (including related code), websites, domain names, business names and goodwill, if any, and all rights to apply for, and all applications and registrations for, any of the foregoing, and all continuations, substitutions, confirmations, divisions, reissues, extensions and renewals thereof, and any licenses, sub-licenses, franchises, agreements or any other evidence of a right in any of the foregoing.

“**ITA**” means the *Income Tax Act* (Canada) and the regulations promulgated thereunder, as amended, supplemented or re-enacted from time to time.

“**Karst Annual Financial Statements**” means the audited financial statements of Karst, as at and for the fiscal year ended December 31, 2018, a copy of which is attached as Section 5.8 of the Karst Disclosure Schedule.

“**Karst Disclosure Schedule**” shall mean the disclosure schedule in respect of the Acquired Company referred to in this Agreement and attached as Schedule “B” to the Agreement.

“**Karst Expenses**” means all professional fees and out-of-pocket expenses incurred by Karst, or by the Sellers on behalf of Karst, in connection with this Agreement and the transactions related to this Agreement including legal counsel, tax advisors and accounting and audit fees.

“**Karst Financial Statements**” means, collectively, the Karst Annual Financial Statements and the Karst Interim Financial Statements.

“**Karst Interim Financial Statements**” means the unaudited internally prepared financial statements of Karst as at November 30, 2019, a copy of which is attached as Section 5.8 of the Karst Disclosure Schedule.

“**Kent**” has the meaning specified in the recitals to this Agreement.

“**Kent Membership**” has the meaning specified in the recitals to this Agreement.

“**Loss**” means any cost, loss, liability, obligation, damage (whether accrued, actual, contingent, latent or otherwise, and whether direct or indirect), deficiency, expense, fine, penalty, interest or diminution of value, including reasonable attorneys’ fees, expenses and court costs.

“**Material Adverse Change**” means, with respect to any Person, any fact, event, change, development, claim, omission or occurrence that, individually or together with any other fact, event, change, development, claim, omission or occurrence, (a) affects such Person or its business, affairs or operations, or any aspect of same, including its condition (financial or otherwise), results of operations, assets, obligations, liabilities (including any contingent liabilities that may arise through outstanding, pending or threatened litigation or otherwise), clientele (including a loss of business from an important customer), markets or prospects, in a manner that is materially adverse

thereto, or that could be reasonably expected to do so, or (b) would prevent or materially impede or delay the completion of the purchase of any of the Purchased Membership by the Purchaser. Notwithstanding the foregoing, any change resulting solely from industry-wide conditions or general economic conditions affecting the industry in which the business of a Person is conducted shall not constitute a "Material Adverse Change" to the extent that they do not materially disproportionately affect the Person in relation to other Persons in the same business or industry.

**"Option and Purchase Agreement"** means the option and purchase agreement dated July 26, 2017 between Karst, as optionor, and Pine Point, as optionee, a copy of which is attached as Schedule "D" to the Agreement;

**"Order"** means any order, injunction (preliminary or permanent), judgment, notice, directive, decree, award, direction, instruction, assessment, finding or ruling, of any Governmental Authority.

**"Outside Date"** has the meaning set forth in Section 13.3(a).

**"Parties"** means the Sellers and the Purchaser; and **"Party"** means any one of them.

**"Permit"** means, with respect to any Person, any permit, licence, franchise, registration or other authorization issued, granted, given by, or made applicable under the authority of, a Governmental Authority having jurisdiction over such Person or its property.

**"Person"** means an individual, partnership, corporation, business trust, limited liability company, limited liability partnership, joint stock company, unlimited liability corporation, trust, unincorporated association, joint venture or any other entity or organization, and includes a Governmental Authority.

**"Personal Information"** means information about an identifiable individual.

**"Pine Point"** means Pine Point Mining Limited (Formerly Darnley Bay Resources Limited), a corporation existing under the laws of the Province of Ontario, a subsidiary of the Purchaser.

**"Pre-Closing Transactions"** has the meaning set forth in Section 2.10.

**"Pre-Closing Tax Periods"** has the meaning set forth in Section 9.3(e).

**"Proceeding"** means any action, claim, suit, litigation, hearing, arbitration, mediation or other proceeding of any nature whatsoever, whether civil, criminal, administrative, judicial or investigative, and whether at law or in equity, and includes, for greater certainty, any investigation, inquiry, assessment, reassessment or audit by, before or otherwise involving any Governmental Authority.

**"Properties"** has the meaning ascribed thereto in the Royalty Agreement.

**"Purchase Price"** has the meaning specified in Section 2.3.

**"Purchased Membership"** has the meaning specified in the recitals to this Agreement.

**"Purchaser"** has the meaning specified in the recitals to this Agreement.

**“Purchaser Group”** has the meaning specified in Section 7.1.

**“Purchaser Indemnitees”** has the meanings specified in Section 12.2(a).

**“Representative”** of a Person includes any director, officer, employee, agent, consultant, advisor, auditor, accountant or legal counsel of such Person and any other Person duly authorized by such first referenced Person to represent it.

**“Restrictive Legends”** has the meaning specified in Section 9.4.

**“Royalty”** means the 3% net smelter return royalty held by Karst on the Properties, representing 100% of the interest held by Karst in the Properties;

**“Royalty Agreement”** means the royalty agreement dated July 26, 2017 between Karst, as royalty holder, and Pine Point, as royalty payor, a copy of which is attached as Schedule "C" to the Agreement".

**“SEC”** means the United States Securities and Exchange Commission;

**“Securities Laws”** means, as applicable, the securities laws, regulations, rules, instruments, rulings, orders and notices in each applicable jurisdiction, the applicable policy statements issued by the securities regulators or regulatory authorities in each applicable jurisdiction, and the rules of the TSXV and the published rules and policies of the SEC.

**“Securities Regulators”** means, collectively, the securities regulators or other securities regulatory authorities in Alberta and British Columbia (including the TSXV) as well as the SEC and applicable state securities regulators in the United States.

**“Sellers”** means has the meaning specified in the recitals to this Agreement.

**“Tax”** or, collectively, **“Taxes”** includes (a) any taxes, tariffs, duties, fees, premiums, assessments, imposts, levies and other charges of any kind whatsoever imposed by any Governmental Authority, including all interest, penalties, fines, additions to tax or other additional amounts imposed by any Governmental Authority in respect thereof, and including those levied on, measured by, or referred to as, income, gross receipts, profits, capital, transfer, land transfer, sales, goods and services, harmonized sales, use, value-added, excise, stamp, withholding, business, franchising, property, development, occupancy, employer health, payroll, employment, health, social services, education and social security taxes, all surtaxes, all customs duties and import and export taxes, all licence and registration fees and all employment insurance, health insurance and other government pension plan premiums or contributions, and (b) any liability for the payment of any amounts of the type described in (a) as a result of any express or implied obligation to indemnify any other Person or as a result of any obligations under any Contract or arrangements with any other Person with respect to such amounts, including any liability for Taxes of a predecessor entity.

**“Tax Claim”** has the meaning specified in Section 9.3(f).

**“Tax Return”** means any return, report, election, notice, designation, declaration, information return, or other document filed with or submitted to, or required to be filed with or submitted to, any

Governmental Authority in connection with any Tax, including any schedules or amendments thereto.

**“Tax Warranties”** has the meaning specified in Section 12.4(a).

**“Third Party”** has the meaning specified in Section 12.5(a).

**“Third-Party Claim”** has the meaning specified in Section 12.5(b).

**“TSXV”** means the TSX Venture Exchange.

**“US Securities Act”** means Securities Act of 1933, as amended



Section 5.12 Karst Accounts Receivable

- None. All have been resolved.

Section 5.15 Karst Banking Information

- [REDACTED]
- [REDACTED]
- [REDACTED]

Section 5.16(a) Member/Officers/Directors

- 2001 to November 2015 – Ross Burns and Margaret Kent as Members participated equally in authority for Karst business and decisions.
- Since December 2015 Margaret Kent has functioned as Managing Member, and Ann Burns has served as Member representing the Burns interest.
- No formal officer titles have been used.

Section 5.21(d) US withholding tax in respect of Ann Burns

- [REDACTED]

Section 5.22(a) 5.24(o) Applicable Contracts

- None.

**SCHEDULE "C"**  
**ROYALTY AGREEMENT**

NET SMELTER RETURNS ROYALTY AGREEMENT

THIS AGREEMENT dated July 26, 2017 (the "Execution Date").

BETWEEN:

**DARNLEY BAY RESOURCES LIMITED,**  
a corporation incorporated under the laws of the  
Province of Ontario  
(the "Royalty Payor")

- and -

**KARST INVESTMENTS LLC,** a limited liability company formed under the laws of the State  
of Washington

(the "Royalty Holder")

WHEREAS:

- A. The Royalty Holder (previously known as Kent Burns Group, LLC) entered into an option agreement with Tamerlane Ventures Inc. ("Tamerlane") dated as of March 2, 2004 (the "2004 Agreement") pursuant to which Tamerlane was granted the right to acquire a 60% undivided interest in the mining claims and mining leases in the Northwest Territories of Canada set out in Schedule A attached hereto (the "Properties");
- B. After the exercise by Tamerlane of the option with respect to the first 60% undivided interest, the Royalty Holder and Tamerlane entered into the Pine Point Sale Agreement dated June 15<sup>th</sup>, 2006 (the "2006 Agreement"), which confirmed that Tamerlane had also acquired the remaining 40% undivided interest in the Properties, in exchange for certain cash consideration and the grant by Tamerlane to the Royalty Holder of a royalty equal to 3% of net smelter returns from the Properties, which royalty, the Royalty Holder has confirmed to the Royalty Payor, supercedes the royalty contemplated in the 2004 Agreement;
- C. Effective as of December 20, 2016, the Royalty Payor acquired a 100% undivided interest in the Properties from KSV Kofman Inc., in its capacity as receiver of Tamerlane and Pine Point Holding Corp., subject at all times to the 3% net smelter returns royalty referred to in recital B above;
- D. The 3% net smelter returns royalty that was granted pursuant to the 2006 Agreement has never been the subject matter of a standalone royalty agreement and the parties hereto seek to enter into this Agreement to memorialize the terms of such royalty and to acknowledge the termination of both the 2004 Agreement and 2006 Agreement;

**THIS AGREEMENT WITNESSES THAT** for good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged) the parties agree as follows:

**1. NET SMELTER RETURNS ROYALTY**

1.1 The Royalty Payor shall pay to the Royalty Holder a net smelter returns royalty equal to 3% of the Net Value (as hereinafter defined) (the "**Net Smelter Returns Royalty**") of all ores, minerals, metals and materials, including diamonds, mined and removed from the Properties (the "**Products**") and sold or deemed to have been sold by or for the Royalty Payor. The obligation to pay the Net Smelter Returns Royalty shall accrue upon the outturn of refined metals meeting the requirements of the specified published price to the Royalty Payor's account or the sooner sale of unrefined metals, dore, concentrates, ores or other mineral products, as hereinafter provided.

1.2 For the purposes of this Agreement:

(a) "**Net Value**" means the Gross Value (as hereinafter defined) of the Products, less all costs, charges and expenses paid or deemed incurred by the Royalty Payor with respect to such Products after the Products leave the Properties, including without limitation:

(i) charges for treatment in the smelting and refining process (including handling, processing, interest and provisional settlements fees, sampling, assaying and representation costs, penalties and other process deductions);

(ii) actual costs of transportation (including freight, insurance, security, transaction taxes, handling, port, demurrage, delay and forwarding expenses incurred by reason of or in the course of such transportation) of Products from the Properties to the place of treatment and then to the place of sale;

(iii) actual sales and brokerage costs on Products the Gross Value of which is calculated pursuant to Section 1.2(b)(iv) and (v) as well as an allowance for reasonable sales and brokerage costs for refined metals the Gross Value of which is calculated pursuant to Section 1.2(b) (i), (ii) and (iii); and

(iv) sales, use, severance, net proceeds of mine and *ad valorem* taxes and any other tax on or measured by mineral production.

The Royalty Holder acknowledges that it may be necessary or appropriate to process, treat or upgrade Products off the Properties before they are sold or deemed sold and that all costs incurred or deemed incurred by the Royalty Payor after the Products leave the Properties shall be deducted from the proceeds received or deemed to be received by the Royalty Payor.

(b) "**Gross Value**" means:

(i) if the Royalty Payor causes lead to be produced from Products, the lead shall be deemed to have been sold at the Monthly Average Lead Price (as hereinafter defined) for the month in which it was produced, and the Gross Value shall be determined by multiplying the Lead Production (as hereinafter defined) during the calendar month by Monthly Average Lead Price. "**Lead Production**" shall mean the quantity of lead outturned to the Royalty Payor's pool account by an independent third-party refinery for lead production from the Properties during the calendar month on either a provisional or final settlement basis (but without duplication) and "**Monthly Average Lead Price**" shall mean the average of the Official LME Settlement Price for Lead published in the London Metal Bulletin (or its recognized successor in the publication of quotations for lead), calculated by dividing the sum of all such prices reported for the month by the number of days for which such prices were reported;

(ii) if the Royalty Payor causes zinc to be produced from Products, the zinc shall be deemed to have been sold at the Monthly Average Zinc Price (as hereinafter defined) for the month in which it was produced, and the Gross Value shall be determined by multiplying Zinc Production (as hereinafter defined) during the calendar month by the Monthly Average Zinc Price. "**Zinc Production**" shall mean the quantity of zinc outturned to the Royalty Payor's pool account by an independent third-party refinery for zinc production from the Properties during the calendar month on either a provisional or final settlement basis (but without duplication) and "**Monthly Average Zinc Price**" shall mean the average of the Official LME Settlement Price for Zinc published in the London Metal Bulletin (or its recognized successor in the publication of quotations for zinc), calculated by dividing the sum of all such prices reported for the calendar month by the number of days for which such prices were reported;

(iii) if the Royalty Payor causes refined copper (meeting the specifications for refined copper subject to the New York Comex Price) to be produced from Products, the refined copper shall be deemed to have been sold at the Monthly Average Copper Price (as hereinafter defined) for the month in which it was produced, and the Gross Value shall be determined by multiplying Copper Production (as hereinafter defined) during the calendar month by the Monthly Average Copper Price. "**Copper Production**" shall mean the quantity of refined copper outturned to the Royalty Payor's pool account by an independent third party smelter for copper produced from the Properties during the calendar month on either a provisional or final settlement basis (but without duplication) and "**Monthly Average Copper Price**" shall mean the average of the Official LME Settlement Price for Copper Grade A published in the London Metal Bulletin, calculated by dividing the sum of all such prices reported for the calendar month by the number of days for which such prices were reported;

(iv) if the Royalty Payor causes refined or processed metals from other than processed lead, processed zinc and refined copper to be produced from Products, the Gross Value shall be equal to the amount of the proceeds actually received by the Royalty Payor during the calendar month from the sale of such refined or processed metals;

(v) if the Royalty Payor sells raw ores, dore or concentrates produced from Products, the Gross Value shall be equal to the amount of the proceeds actually received by the Royalty Payor during the calendar month from the sale of such raw ore, dore or concentrates. The Royalty Payor shall be permitted to sell Products in the form of raw ore, dore, or concentrates to an affiliated party, provided that such sales shall be considered, solely for the purpose of computing Net Value, to have been sold at prices and on terms no less favorable than those which would be extended to an unaffiliated third party under similar circumstances; and

(vi) where outturn of refined metals is made by an independent third party refinery on a provisional basis, Gross Value shall be based upon the amount of such provisional settlement, but shall be adjusted in subsequent statements to account for the amount of refined metal established by final settlement by such refiner.

1.3 The Net Smelter Returns Royalty shall become due and payable quarterly on the last day of the month following the last day of the calendar quarter in which the same accrued. Net Smelter Returns Royalty payments shall be accompanied by a statement showing in reasonable detail the quantities and grades of the refined metals, dore, concentrates, or other Products produced and sold or deemed sold by the Royalty Payor in the preceding calendar quarter; the average monthly price determined as herein provided for refined metals on which the Net Smelter Returns Royalty is due; the proceeds of sale for other mineral products on which the Net Smelter Returns Royalty is due; costs and other deductions; and other pertinent information in sufficient detail to explain the calculation of the Net Smelter Returns Royalty payment. Such quarterly statement shall also list the quantity and quality of any lead and zinc or copper cathode which has been retained as inventory.

1.4 All Net Smelter Returns Royalty payments shall be considered final and in full satisfaction of all obligations of the Royalty Payor with respect thereto, unless the Royalty Holder gives the Royalty Payor written notice describing and setting forth a specific objection to the calculation thereof within 12 months after receipt by the Royalty Holder of the quarterly statement herein provided for. If the Royalty Holder objects to a particular quarterly statement as herein provided, the Royalty Holder shall, for a period of 30 days after the Royalty Payor's receipt of notice of such objection, have the right, upon reasonable notice and at a reasonable time, to have the Royalty Payor's accounts and records relating to the calculation of the Net Smelter Returns Royalty in question audited by a chartered accountant acceptable to the Royalty Holder and to the Royalty Payor. If such audit determines that there has been a deficiency or an excess in the payment made to the Royalty Holder such deficiency or excess shall be resolved by adjusting the next quarterly Net Smelter Returns Royalty payment due hereunder. The Royalty Holder shall pay all costs of such audit unless a deficiency of more than 10% of the amount due is determined to exist. The Royalty Payor shall pay the costs of such audit if a deficiency of more than 10% of the amount due is determined to exist. All books and records used by the Royalty Payor to calculate royalties due hereunder shall be kept in accordance with generally accepted accounting principles. Failure on the part of the Royalty Holder to make claim on the Royalty Payor for adjustment in such 12 month period shall establish the correctness and preclude the filing of exceptions thereto or making of claims for adjustment thereon.

1.5 All minerals for which a Net Smelter Returns Royalty is payable shall be weighed or measured, sampled and analyzed in accordance with sound mining and metallurgical practices.

## **2. TRADING ACTIVITIES AND MINING OPERATIONS**

2.1 The Royalty Payor shall have the right to market and sell or refrain from selling lead, zinc, copper and other metals produced from the Properties in any manner it may elect, and the Royalty Payor shall have the right to engage in forward sales, future trading or commodity options trading, and other price hedging, price protection, and speculative arrangements ("**Trading Activities**") which may involve the possible delivery of lead, zinc, copper and other metals produced from the Properties. The Royalty Holder shall not be entitled to participate in the proceeds or be obligated to share in any losses generated by the Royalty Payor's actual marketing or sales practices or by its Trading Activities.

2.2 All tailings, residues, waste rock, spoiled leach materials, and other materials (collectively the "**Materials**") resulting from the Royalty Payor's operations and activities on the Properties shall be the sole property of the Royalty Payor, but shall remain subject to the obligation to pay the Net Smelter Returns Royalty should the same be processed or reprocessed, as the case may be, in the future and result in Products that are sold or deemed sold. The Royalty Payor shall have the right to dispose of Products from the Properties, whether on or off of the Properties, and to commingle the same with Products from other properties.

2.3 The Royalty Payor may, but is not obligated to, beneficiate, mill, sort, concentrate, refine, smelt, or otherwise process and upgrade the Products prior to sale, transfer, or conveyance to a purchaser, user or consumer other than the Royalty Payor. The Royalty Payor shall not be liable for mineral values lost in such processing under sound practices. All determinations with respect to: (a) whether ore from the Properties will be beneficiated, processed or milled by the Royalty Payor or sold in a raw state; (b) the methods of beneficiating, processing or milling any such Products; (c) the constituents to be recovered therefrom; (d) the purchasers to whom any Products may be sold; and (e) concerning temporary or long term cessation of operations shall be made by the Royalty Payor in its sole and absolute discretion. The Royalty Payor will have complete discretion concerning the nature, timing and extent of all exploration, development, mining and other operations conducted on or for the benefit of the Properties and may suspend operations and production on the Properties at any time it considers prudent or appropriate to do so. The Royalty Payor will owe the Royalty Holder no duty to explore, develop or mine the Properties, or to do so at any rate or in any manner other than that which the Royalty Payor may determine in its sole and unfettered discretion.

2.4 The parties agree that if the Royalty Payor ships ore directly from the Properties to a mill or concentrator not located on the Properties, the cost of such shipping and transportation and the processing of such ore into concentrates will not be a deduction for determining Net Value. For further clarification, it is agreed that all such shipping and transportation, processing and ancillary costs will be for the account of the Royalty Payor.

### **3. PROPERTY INTEREST; AREA OF COMMON INTEREST**

3.1 The Net Smelter Returns Royalty creates a direct real property interest in the Properties in favour of the Royalty Holder, and the parties agree that the property interest was created in the 2006 Agreement dated June 15, 2006 and shall continue to have effect from such date. The Net Smelter Returns Royalty shall continue in perpetuity, it being the intent of the parties that the Net Smelter Returns Royalty will constitute a covenant running with the Properties and all successions thereof. If any right, power or interest of either party pertaining to the Properties would violate the rule against perpetuities, then such right, power or interest will terminate at the expiration of 20 years after the death of the last survivor of all the lineal descendants of Her Majesty, Queen Elizabeth II of England, living on the date of this Agreement. The Royalty Holder will have the right from time to time to register or record notice of the Net Smelter Returns Royalty against title to the Properties or elsewhere, and the Royalty Payor will cooperate with all such registrations and recordings and provide its written consent or signature to any documents and do such other reasonable things from time to time as are necessary or desirable to effect all such registrations or recordings in accordance with applicable law.

3.2 In this Agreement, "Area of Common Interest" means that area within a one kilometer radius of the perimeter of the Properties as they exist as at the Execution Date.

3.3 If at any time during the existence of this Agreement the Royalty Payor stakes or otherwise acquires, directly or indirectly, any right or interest in, or any right to receive proceeds of production from, any mining claim, licence, lease, grant, concession, permit, patent or other form of mineral tenure located wholly or partly within the Area of Common Interest, the Royalty Payor shall forthwith give notice to the Royalty Holder of that staking or acquisition, the total cost thereof and all details in the Royalty Payor's possession with respect to the details of the acquisition, the nature of the property acquired and the known mineralization. The Royalty Holder may, within 30 days of receipt of the Royalty Payor's notice, elect, by notice to the Royalty Payor, to require that the mineral properties and the right or interest acquired be included in and thereafter form part of the Properties for all purposes of this Agreement other than for purposes of defining the Area of Common Interest. If the Royalty Holder does not make the election aforesaid within that period of 30 days, the right or interest acquired shall not form part of the Properties and the Royalty Payor shall be solely entitled thereto. The Royalty Payor shall pay 100% of the costs of the acquisition referred to in Section 3.3, but if the Royalty Holder does make the election set out herein within the said period of 30 days, 100% of the acquisition costs shall be borne by the Royalty Holder.

3.4 The Royalty Payor hereby confirms to the Royalty Holder that as of the date hereof it has no rights or interest within the Area of Common Interest which could result in the application of the provisions of Section 3.3 hereof.

### **4. ROYALTY PAYOR'S REPORTING OBLIGATIONS**

The Royalty Payor will provide the Royalty Holder by March 31 of each year with a report detailing exploration and development activities carried out by the Royalty Payor on the Properties during the prior calendar year.



## 5. ASSIGNMENT, ABANDONMENT AND SURRENDER OF PROPERTIES

5.1 The Royalty Payor may not assign, convey, or otherwise dispose of any interest, in whole or in part, in the Properties or any obligations under this Agreement to any person or persons unless the assignee or transferee enters into an agreement with the Royalty Holder pursuant to which such assignee or transferee agrees to be bound by this Agreement in respect of that portion of the Properties acquired by such assignee or transferee in the same manner and to the same extent as though a party hereto in the first instance. The terms of this Agreement will be deemed to be covenants running with the Properties and with all such sales, assignments, transfers or dispositions thereof. In the event of a change of Control of the Royalty Payor further to a transaction completed by the Royalty Payor (as opposed to a transaction completed without the assistance or intervention of the Royalty Payor), the Royalty Payor will execute and deliver an acknowledgement to and in favour of the Royalty Holder that this Agreement remains binding and enforceable as against the Royalty Payor after the change of Control. For the purposes of this Section 5.1, "Control" means the right to exercise, directly or indirectly, a majority of the votes at a general meeting of the Royalty Payor.

5.2 The Royalty Payor may at any time and from time to time release, abandon, surrender, terminate, allow to lapse or reduce the area of any part or parts of the Properties as it may determine, provided that the Royalty Payor shall give to the Royalty Holder not less than 60 days' notice of its intention to do so, along with its rationale for doing so (for which rationale the Royalty Payor shall bear no liability), and shall, if requested by the Royalty Holder by notice to the Royalty Payor within that period of time, provided that the same is in accordance with applicable law, deliver to the Royalty Holder duly executed transfers to the Royalty Holder of the part or parts of the Properties so intended to be dealt with, together with copies of any plans, assay maps, diamond drill records and factual engineering data in the Royalty Payor's possession and relevant thereto. Any part or parts of the Properties so dealt with shall cease to be included in the Properties and shall cease to be subject to this Agreement for all purposes.

5.3 Notwithstanding Section 5.2, the Royalty Payor shall not release, abandon, surrender, terminate, allow to lapse or reduce the area of any part or parts of the Properties for the purpose of permitting any third party to restake such claim and avoid the Net Smelter Return Royalty; and if the Royalty Payor, or any person with which the Royalty Payor does not deal at arm's length or the Royalty Payor's joint venturer, restakes any claims or leases that previously formed a part of the Properties within a period of five years after their release, abandonment, surrender, termination, lapse or reduction, this Net Smelter Returns Royalty shall reattach thereto and the said claims or leases shall again form a part of the Properties.

## 6. DISPUTE RESOLUTION AND CONFIDENTIALITY

6.1 In the event of a dispute in relation to this Agreement, including without limitation, the existence, validity, performance, breach or termination hereof or any matter arising hereunder, including whether any matter is subject to arbitration, the parties agree to negotiate diligently and in good faith in an attempt to resolve such dispute. Failing resolution satisfactory to both parties, within ten days of the time frame specified herein or if no time frame is specified within ten days of the delivery of notice by either party of the said dispute, which shall be after the dispute remains open for a period of 90 days, either party may request that the dispute be resolved by binding arbitration, conducted in English, in Vancouver, British Columbia, pursuant to the domestic commercial arbitration rules of the British Columbia International Commercial Arbitration Centre (the "BCICAC"). The appointing authority shall be the BCICAC and the case shall be administered by the BCICAC in accordance with its Domestic Commercial Arbitration Rules of Procedure, subject to the following:

(a) To demand arbitration either party (the "**Demanding Party**") shall give written notice (the "**Dispute Notice**") to the other party (the "**Responding Party**"), which Dispute Notice shall toll the running of any applicable limitations of actions by law or under this Agreement. The Dispute Notice shall specify the nature of

the allegation and the issues in dispute, the amount or value involved (if applicable) and the remedy requested. Within 15 Business Days of receipt of the Dispute Notice, the Responding Party shall answer the demand in writing, responding to the allegations and issues that are disputed. For the purposes of this Agreement, "**Business Day**" means a day other than a Saturday or Sunday, on which banks are open for business in Vancouver, British Columbia or Toronto, Ontario.

(b) The Demanding Party and the Responding Party shall mutually agree upon one single qualified arbitrator within seven Business Days of the answer of the Responding Party, failing which either the Demanding Party or the Responding Party may request the BCICAC to appoint one qualified arbitrator within fourteen Business Days of the answer of the Responding Party. The arbitrator shall be a disinterested person qualified by experience to hear and determine the issues to be arbitrated.

(c) No later than 15 Business Days after hearing the representations and evidence of the parties, the arbitrator shall make its determination in writing in English and shall deliver one copy to each party. The written decision of the arbitrator shall be final and binding upon the parties in respect of all matters relating to the arbitration, the procedure, the conduct of the parties during the proceedings and the final determination of the issues in the arbitration. The decision rendered by the arbitrator may be entered into any court for enforcement purposes.

(d) The arbitrator may determine all questions of law and jurisdiction (including questions as to whether or not a dispute is arbitratable) and all matters of procedure relating to the arbitration.

(e) The arbitrator shall have the right to grant legal and equitable relief and to award costs (including reasonable legal fees and the costs of arbitration) and interest. The costs of any arbitration shall be borne by the parties in the manner specified by the arbitrator in its determination, if applicable. The arbitrator may make an interim order, including injunctive relief and other provisional, protective or conservatory measures, as well as orders seeking assistance from a court in taking or compelling evidence or preserving and producing documents regarding the subject matter of the dispute.

(f) All papers, notices or process pertaining to an arbitration hereunder may be served on a party as provided in this Agreement.

(g) The parties agree to treat as Confidential Information, in accordance with the provisions of Section 6.2 the following: the existence of the arbitral proceedings; written notices, pleadings and correspondence in relation to the arbitration; reports, summaries, witness statements and other documents prepared in respect of the arbitration; documents exchanged for the purposes of the arbitration; and the contents of any award or ruling made in respect of the arbitration. Notwithstanding the foregoing part of this section, a party may disclose such Confidential Information in judicial proceedings to enforce, nullify, modify or correct an award or ruling.

6.2 All information, data, reports, records, analyses, economic and technical studies and test results relating to the Properties and the activities of the Royalty Payor or any other party thereon and the terms and conditions of this Agreement, all of which will hereinafter be referred to as "**Confidential Information**," will be treated by the Royalty Holder as confidential and will not be disclosed to any person not a party to this Agreement, except in the following circumstances:

(i) the Royalty Holder may disclose Confidential Information to its auditors, legal counsel, institutional lenders, financiers, strategic partners, brokers, underwriters and investment bankers, provided that such non-party users are advised of the confidential nature of the Confidential Information, undertake to maintain the confidentiality thereof and are strictly limited in their use of the Confidential Information to those purposes necessary for such non-party users to perform the services for which they were retained by the Royalty Holder;

(ii) the Royalty Holder may disclose Confidential Information to prospective purchasers of the Royalty Holder's right to receive the Net Smelter Returns Royalty or other rights under this Agreement, provided that each such prospective purchaser first agrees in writing to hold such information in confidence and be liable for any breach of such obligation, in accordance with this section and to use it exclusively for the purpose of evaluating its interest in purchasing such Net Smelter Returns Royalty or other rights;

(iii) the Royalty Holder may disclose Confidential Information where that disclosure is necessary to comply with its disclosure obligations and requirements under any securities law, rules or regulations or stock exchange listing agreements, policies or requirements or in relation to proposed credit arrangements; or

(iv) with the approval of the Royalty Payor.

Any Confidential Information that becomes part of the public domain by no act or omission in breach of this section will cease to be Confidential Information for the purposes of this section. The Royalty Holder shall use commercially reasonable efforts to enforce the duty of confidentiality owed to the Royalty Holder by any person to whom the Royalty Holder discloses the Confidential Information.

## 7. GENERAL

7.1 **Replacement and Supercession.** The Royalty Holder and the Royalty Payor do hereby acknowledge that this Agreement is in replacement of the 2004 Agreement and the 2006 Agreement. The Royalty Holder and the Royalty Payor do hereby further acknowledge and agree that by their execution and delivery hereof and without any further or other act or formality by either party that: (i) the 2004 Agreement be and the same is terminated and of no further or other force or effect and neither the Royalty Holder nor the Royalty Payor has any rights or obligations thereunder; and (ii) the 2006 Agreement be and the same is terminated and of no further or other force or effect and neither the Royalty Holder nor the Royalty Payor has any rights or obligations thereunder.

7.2 **Notices.** All notices, requests, demands or other communications which by the terms hereof are permitted to be given by a party to the other parties shall be given in writing by personal delivery or email, addressed to such other parties or delivered to such other parties as follows:

(i) to the Royalty Payor at:

Darnley Bay Resources Limited  
365 Bay Street, Suite 400  
Toronto, Ontario, M5H 2V1  
Attention: Jamie Levy, President  
Email: jlevy@darnleybay.com

(ii) to the Royalty Holder at:



Any such notice or communication shall be deemed received when actually delivered (where given via e-mail or overnight courier provided reasonable documentation of such delivery can be produced) or three Business Days after mailing. Any party shall have the right to change the address to be used for notices to it hereunder by providing the other parties with notice thereof in accordance with this Section.

**7.3 Other Matters of Interpretation.** In this Agreement:

- (a) the singular includes the plural and vice versa;
- (b) the masculine includes the feminine and vice versa;
- (c) references to "Article," "section" and "subsection" are to articles, sections and subsections of this Agreement, respectively;
- (d) all provisions requiring a party to do or refrain from doing something will be interpreted as the covenant of that party with respect to that matter notwithstanding the absence of the words "covenants" or "agrees" or "promises";
- (e) all provisions requiring a party to do something will be interpreted as including the covenant of that party to cause that thing to be done when the party cannot directly perform the covenant but can indirectly cause that covenant to be performed, whether by an affiliate under its control or otherwise; and
- (f) the words "hereto," "herein," "hereby," "hereunder," "hereof" and similar expressions when used in this Agreement refer to the whole of this Agreement and not to any particular article, part, section, exhibit or portion thereof.

**7.4 Acts in Good Faith.** Each party shall at all times during the currency of this Agreement act in good faith with respect to the other parties and shall do or cause to be done all things within their respective powers which may be necessary or desirable to give full effect to the provisions hereof.

**7.5 Other Activities and Interests.** This Agreement and the rights and obligations of the parties hereunder are strictly limited to the Properties. Subject to the provisions of Section 3.3, each party will have the free and unrestricted right to enter into, conduct and benefit from any and all business ventures of any kind whatsoever, whether or not competitive with the activities undertaken pursuant hereto, without disclosing such activities to the other parties or inviting or allowing the other parties to participate therein.

**7.6 No Partnership.** This Agreement is not intended to, and will not be deemed to, create any partnership relation between the parties including without limitation, a joint venture, mining partnership or commercial partnership. The obligations and liabilities of the parties will be several and not joint, and neither of the parties will have or purport to have any authority to act for or to assume any obligations or responsibility on behalf of the other party. Nothing herein contained will be deemed to constitute a party, the partner, agent, joint venturer or legal representative of the other party.

**7.7 No Waivers.** No waiver of or with respect to any term or condition of this Agreement shall be effective unless it is in writing and signed by the waiving party, and then such waiver shall be effective only in the specific instance and for the purpose for which given. No course of dealing between the parties, nor any failure to exercise, nor any delay in exercising, on the part of any one party hereunder, any right, power, or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any specific waiver of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege.

7.8 **Time of the Essence.** Time is of the essence of this Agreement and each of the terms and conditions of this Agreement.

7.9 **Severability.** If any provision of this Agreement, or any application thereof, should be held by a court of competent jurisdiction to be invalid or unenforceable, all provisions, of this Agreement, and all applications thereof, not held invalid or unenforceable shall continue in full force and effect and in no way be affected, impaired or invalidated thereby.

7.10 **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

7.11 **Further Assurances.** The parties shall sign such further and other documents and do such further acts or things as may be necessary or desirable in order to give full force and effect to this Agreement and every part hereof, including for greater certainty and without limitation, and to the extent permissible pursuant to applicable law, any and all public deeds and documents as counsel for the Royalty Holder shall deem reasonably necessary to effect a registration of this Agreement against the Properties to constitute notice to third persons, on terms and conditions satisfactory to the parties, as provided in Section 7.12.

7.12 **Memorandum of this Agreement.** If required by the Royalty Holder and permissible pursuant to applicable law, the Royalty Holder and the Royalty Payor shall execute, deliver and record a memorandum of this Agreement with the government of the Northwest Territories, Industry, Tourism and Investment division in form and substance satisfactory to the Royalty Payor and the Royalty Holder, acting reasonably, so as to give public notice of the existence of this Agreement.

7.13 **Amendment.** This Agreement may not be amended or modified in any respect except by written instrument signed by the parties.

7.14 **Entire Agreement.** This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof. The execution of this Agreement has not been induced by nor do the parties rely upon or regard as material, any covenants, representations or warranties whatsoever not incorporated herein and made a part hereof.

7.15 **Enurement.** This Agreement shall enure to the benefit of and be binding upon the parties and each of their respective successors and permitted assigns, but no other person.

7.16 **Remedy.** The failure of a party to insist upon the strict performance of any term of this Agreement, or to exercise any right, or remedy contained in this Agreement, will not be construed as a waiver or a relinquishment by that party for the future of that term, right, or remedy.

7.17 **Counterparts.** This Agreement may be executed in several counterparts by original or electronic signature, each of which so executed shall be deemed to be an original and such counterparts together shall constitute one and the same document.

*<Signature page follows>*

IN WITNESS WHEREOF, the parties have executed this Agreement as of the day and year first above written.

**DARNLEY BAY RESOURCES LIMITED**

[Redacted Signature]

c/s

Name: *Jamie Levy*  
Title: Chief Executive Officer

Toronto, Ontario, July 26, 2017

**DARNLEY BAY RESOURCES LIMITED**

[Redacted Signature]

c/s

Name: Halina McGregor  
Title: Chief Financial Officer

Toronto, Ontario, July 26, 2017

**KARST INVESTMENTS LLC**

[Redacted Signature]

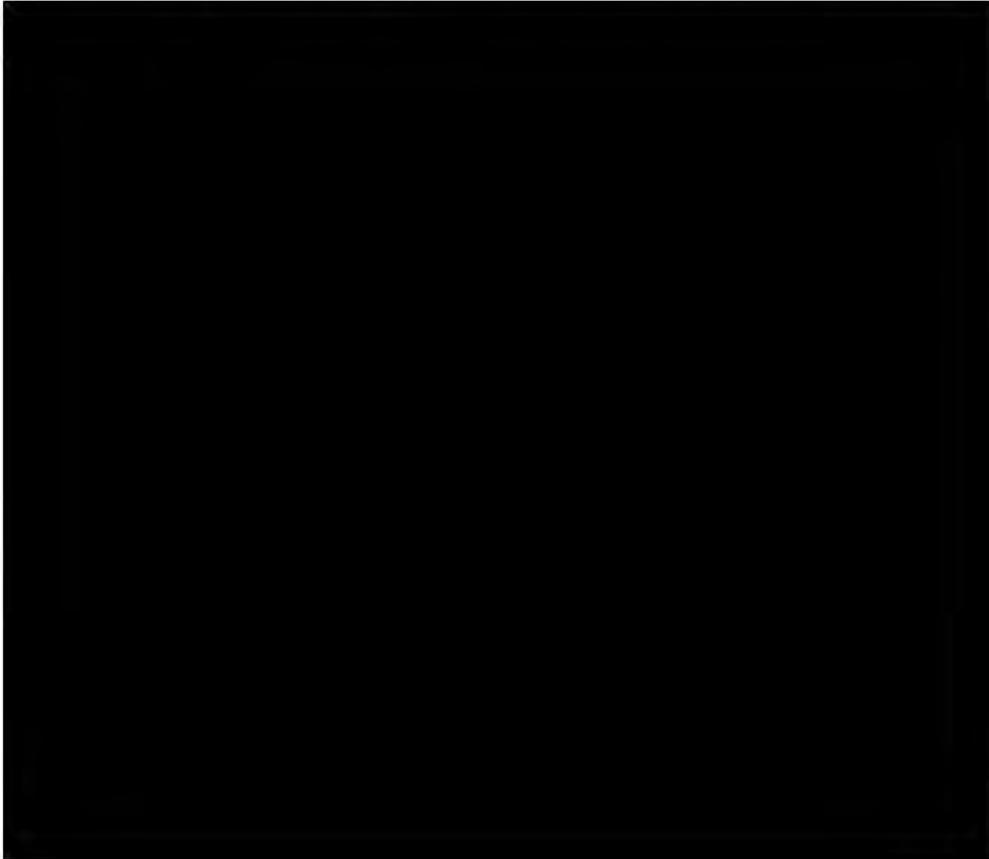
c/s

Name: *Margaret Kent*  
Title: *Managing Member*

**SCHEDULE A**

**The Properties**

The following claims in the Pine Point District of the Northwest Territories:



**SCHEDULE "D"**

**OPTION AND PURCHASE AGREEMENT**

**OPTION AND PURCHASE AGREEMENT**

**THIS OPTION AND PURCHASE AGREEMENT** dated as of the 26 day of July 2017.

**BETWEEN:**

**DARNLEY BAY RESOURCES LIMITED**

a corporation incorporated under the laws of the Province of Ontario

(the "Optionee")

**OF THE FIRST PART**

- and -

**KARST INVESTMENTS LLC**, a Washington, USA limited liability company having an address of 205 Cherokee Lane, Gravenhurst, Ontario, Canada, P1P 1G7

(the "Optionor")

**OF THE SECOND PART**

**WHEREAS** the Optionee and the Optionor executed and delivered a royalty agreement dated as of even date (the "**Royalty Agreement**") which memorializes the grant of a 3% net smelter return royalty (the "**NSR**") to the Optionor and the Optionor seeks to grant the Optionee the sole, immediate and exclusive right and option (the "**Option**") to acquire a 50% undivided interest in the NSR and the Optionee is interested in acquiring the Option, all on and subject to the terms and conditions hereinafter set forth;

**NOW THEREFORE THIS AGREEMENT WITNESSETH** that in consideration of the mutual covenants, conditions and premises herein contained, the sum of TWO DOLLARS now paid by each of the Parties (as hereinafter defined) to the other and for other good and valuable consideration (the receipt and sufficiency whereof being hereby acknowledged), the Parties do hereby covenant and agree as follows:

**1. DEFINITIONS**

**1.1 Definitions.** In this Agreement:

"**this Agreement**", "**herein**", "**hereby**", "**hereof**", "**hereunder**" and similar expressions shall mean or refer to this Agreement and any and all agreements or instruments supplemental or ancillary hereto and the expression "**section**" followed by a number means and refers to the specified section of this Agreement.



**"Commercial Production"** means mining on a commercial basis but shall not mean mining for the purposes of testing and for greater certainty, excludes the milling or leaching by a pilot plant or during an initial tune-up period of a plant and also excludes bulk sampling. Commercial Production is deemed to have commenced;

(i) if a milling and treatment plant is located on the Property, on the first day of the month following the first period of 30 days during which products have been processed through such plant at an average rate of not less than 60% of the initial rated capacity of such plant; or

(ii) if no milling and treatment plant is located on the Property, on the first day of the month following the first period of 30 consecutive days during which products have been produced at a tonnage representing not less than 60% of the targeted tonnage and shipped for custom milling on a reasonably regular basis for the purpose of earning revenue;

**"Consideration Shares"** shall have the meaning ascribed thereto in Section 5.1.

**"Effective Date"** shall mean the date of execution of this Agreement.

**"Encumbrances"** shall mean any and all mortgages, pledges, security interests, liens, charges, encumbrances, contractual obligations and claims of others, recorded and unrecorded, registered and unregistered.

**"Exercise Notice"** shall mean the form attached hereto as Schedule "A".

**"Final Termination Date"** shall have the meaning set forth in Section 4.1.

**"Insolvency Event"** shall mean an act of bankruptcy by a Party or any circumstances in which a Party has: become insolvent, proposed a compromising arrangement to its creditors generally, has had any petition for a receiving order in bankruptcy filed against it, has made a voluntary assignment in bankruptcy, has taken any proceedings with respect to a compromise or arrangement, has taken any proceeding to have itself declared bankrupt or wound-up, has taken any proceeding to have a receiver appointed of any part of its assets, has had any encumbrancer take possession of any of its property or has had any execution or distress become enforceable or become levied upon any of its property.

**"Laws"** means collectively, all federal, provincial, territorial, municipal or local statutes, regulations and by-laws applicable to the Parties or the Property, or to any activities thereon, including without limitation, all orders, notices, rules, decrees, decisions, codes, guidelines, policies, directions, permits, approvals, licenses and similar authorizations issued, rendered or imposed by any level of



government including any ministry, department or administrative or regulatory agency or authority.

"**NSR**" shall have the meaning set forth in the preambles.

"**Option**" shall have the meaning set forth in the preambles to this Agreement.

"**Optioned NSR**" shall mean a 50% undivided legal and beneficial interest in the NSR.

"**Optionee**" shall mean Darnley Bay Resources Limited.

"**Optionor**" shall mean Karst Investments LLC (which was formerly known as Kent Burns Group LLC).

"**Option Period**" shall mean the period during which the Option is in full force and effect as provided herein.

"**Parties**" shall mean collectively, the Optionor and the Optionee.

"**Party**" shall mean either the Optionor or the Optionee.

"**Payments**" shall have the meaning set forth in Section 5.1.

"**Person**" shall mean any individual, partnership, company, corporation, unincorporated association, person, government or governmental agency, authority or entity howsoever designated or constituted.

"**Property**" shall have the meaning set forth in the Royalty Agreement;

"**Purchase Price**" shall mean USD\$3.0 million minus the value of all Payments made pursuant to Section 5.1(i) and (ii).

"**Royalty Agreement**" shall have the meaning set forth in the preambles;

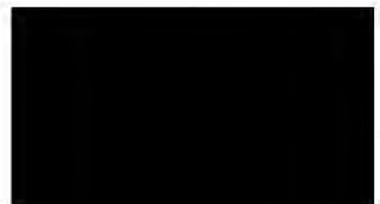
"**Termination Notice**" shall have the meaning set forth in Section 8.4.

"**TSXV**" shall mean the TSX Venture Exchange.

## 2. SCHEDULE, GENDER AND US DOLLARS

2.1 **Schedule.** The following is the Schedule attached to and incorporated in this Agreement by reference and deemed to be a part hereof:

**Schedule "A" – Exercise Notice**



**2.2 Gender and Extended Meanings.** In this Agreement all words and personal pronouns relating thereto shall be read and construed as the number and gender of the party or parties referred to in each case require and the verb shall be construed as agreeing with the required word and pronoun. In this Agreement words importing the singular number include the plural and vice versa.

**2.3 US Dollars.** All dollar amounts or "\$" referred to in this Agreement are in United States funds unless otherwise stated.

**2.4 Business Days.** All references in this Agreement to business days are to days excluding Saturdays, Sundays and banking holidays in Toronto, Ontario and Vancouver, British Columbia.

**2.5 Period of Time.** When calculating the period of time within which or following which any act is to be done or step is to be taken pursuant to this Agreement, the date which is the reference date in calculating such period shall be excluded. If the last day of such period is a non-business day, the period in question shall end on the next business day.

**2.6 Section Headings.** The section and other headings contained in this Agreement or in the Exhibit are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

### **3. REPRESENTATIONS AND WARRANTIES**

**3.1 Representations and Warranties of the Optionor.** The Optionor hereby represents and warrants to the Optionee as follows and acknowledges that the Optionee is relying on such representations and warranties in entering into this Agreement:

- (a) **Due Incorporation.** It is a company duly incorporated under the laws of the jurisdiction of its incorporation and it is duly organized and validly subsisting under such laws and is duly licensed and qualified as necessary to carry on its business as currently conducted or as proposed to be conducted.
- (b) **Corporate Power.** It has full power and authority to carry on its business and to enter into this Agreement and any agreement or instrument referred to or contemplated by this Agreement and to carry out and perform all of its obligations and duties hereunder.
- (c) **Approvals.** The execution, delivery and performance of this Agreement by the Optionor and the consummation of the transactions herein contemplated have been approved by the members of the Optionor.



Margaret Kent has the full right, power, capacity and authority to execute and deliver this Agreement on behalf of the Optionor.

- (d) **Execution and Delivery; No Conflict.** This Agreement has been duly executed and delivered by it and is valid, binding and enforceable against it in accordance with its terms, and such execution and delivery and the performance and consummation of the transactions herein contemplated, will not conflict with or result in a 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 its constating documents or any shareholders' or directors' resolution or any indenture, agreement or other instrument whatsoever to which it is a party or by which it is bound and does not contravene any applicable Laws.
- (e) **Insolvency Event.** No Insolvency Event has occurred in connection with the Optionor.
- (f) **Interest.** The Optionor is the beneficial owner of a 100% undivided interest in the NSR, free and clear of any and all Encumbrances. The Optionor has the full right, power, capacity and authority to execute and deliver this Agreement and to sell, assign and transfer good and marketable title to the Optioned NSR to the Optionee under the terms of this Agreement free and clear of all Encumbrances. No Person has any proprietary or possessory interest in the NSR. No Person has any right or option to acquire the NSR or any portion thereof.
- (g) **Litigation.** There is no legal, administrative, arbitration or other proceeding, claim or action of any nature or investigation pending or, to the knowledge of the Optionor, threatened against or involving the NSR or which questions or challenges the validity of this Agreement, or any action taken or to be taken by the Optionor pursuant to this Agreement or any other agreement or instrument to be executed and delivered by the Optionor in connection with the transactions contemplated hereby and the Optionor does not know of or have any reason to believe there exists any valid basis for any such legal, administrative, arbitration or other proceeding, claim, action of any nature or investigation. The Optionor is not subject to any judgment, order or decree entered in any lawsuit or proceeding which has had or may be expected to have an adverse effect on the NSR and the transactions contemplated herein.
- (h) **Brokerage or Finder's Fee.** There is no Person acting or purporting to act at the Optionor's request who is entitled to any brokerage or finder's fee in connection with the transactions contemplated herein.
- (i) **All Material Information.** The Optionor has made available to the Optionee all material information in its possession or control relating to the



NSR and throughout the Option Period, shall continue to make available to the Optionee all information in its possession or control relating to the NSR.

**3.2 Representations and Warranties of the Optionee.** The Optionee hereby represents and warrants to the Optionor as follows and acknowledges that the Optionor is relying on such representations and warranties in entering into this Agreement:

- (a) **Due Incorporation.** It is a company duly incorporated under the laws of the jurisdiction of its incorporation and it is duly organized and validly subsisting under such laws and is duly licensed and qualified as necessary to carry on its business as currently conducted or as proposed to be conducted.
- (b) **Corporate Power.** It has full power and authority to carry on its business and to enter into this Agreement and any agreement or instrument referred to or contemplated by this Agreement and to carry out and perform all of its obligations and duties hereunder, including without limitation, the issuance of the Consideration Shares.
- (c) **Corporate Approvals.** It has duly obtained all corporate and, subject to obtaining the approval of the TSXV, all regulatory authorizations for the execution, delivery and performance of this Agreement and the consummation of the transactions herein contemplated, including without limitation, the issuance of the Consideration Shares.
- (d) **Execution and Delivery; No Conflict.** This Agreement has been duly executed and delivered by it and is valid, binding and enforceable against it in accordance with its terms, and such execution and delivery and the performance and consummation of the transactions herein contemplated, including without limitation, the issuance of the Consideration Shares, will not conflict with or result in a 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 its constating documents or any shareholders' or directors' resolution or any indenture, agreement or other instrument whatsoever to which it is a party or by which it is bound and does not contravene any applicable Laws.
- (e) **Insolvency Event.** No Insolvency Event has occurred in connection with the Optionee.
- (f) **Reporting Issuer.** The Optionee is a "reporting issuer" within the meaning of the *Securities Act* (Ontario), is not in default of any requirement of applicable Laws and no material change relating to the Optionee has occurred with respect to which the requisite material change report has not



been filed and no such disclosure has been made on a confidential basis. The common shares of the Optionee are quoted for trading on the TSXV.

- (g) **No Cease Trading Order.** No securities commission or similar regulatory authority has issued any order preventing or suspending trading in any securities of the Optionee and to the knowledge of the Optionee, no such proceeding for such purposes are pending or threatened. The common shares of the Optionee are listed and posted for trading on the TSXV under the trading symbol "DBL" and the Optionee is in compliance in all material respects with the rules and policies of the TSXV and its securities are not listed or quoted on any other market.
- (h) **Consideration Shares.** Upon issuance, the Consideration Shares shall be validly issued, fully paid and non-assessable and shall form part of a class of shares that is listed and posted for trading on the TSXV. The authorized capital of the Optionee consists of an unlimited number of common shares, of which, as of the date hereof, 142,063,058 are issued and outstanding.
- (i) **Public Record.** All documents filed by the Optionee under applicable laws or with the TSXV which are accessible to the public (the "Public Record") complied in all material respects as of their respective dates contained in the Public Record (or, if any of such reports shall have been amended, as of the date of such amendment) with applicable laws and such documents collectively constitute full, true and plain disclosure of all material facts relating to the Optionee and do not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which such statements were made, not misleading.
- (j) **Brokerage or Finder's Fee.** There is no Person acting or purporting to act at its request who is entitled to any brokerage or finder's fee in connection with the transactions contemplated herein.

#### 4. GRANT OF OPTION

4.1 **Grant.** In consideration of the sum of USD\$75,000 paid by the Optionee to the Optionor and the issuance to the Optionor of 1,000,000 common shares in the capital of the Optionee, in each case, upon execution of this Agreement and the additional covenants, agreements and payments of the Optionee contained herein (the receipt and sufficiency of which is acknowledged by the Optionor), subject to the terms and conditions of this Agreement, the Optionor does hereby give and grant to the Optionee, the sole, immediate, and exclusive right and option to acquire a 50% undivided interest in the NSR (i.e. the Optioned NSR), free and clear of any and all Encumbrances. The Option shall commence on the Effective Date and shall continue unless sooner exercised or terminated pursuant to the terms hereof and shall terminate on the earlier



of: (i) 30 days after the Commencement of Commercial Production; and (ii) the fifteenth anniversary of the Effective Date (the "Final Termination Date").

## 5. OPTION PAYMENTS

5.1 **Payments.** To maintain the Option in full force, the Optionee shall make the following cash payments (the "Payments") and shall issue and deliver to the Optionor the following common shares in the capital of the Optionee (collectively, the "Consideration Shares"):

		Cash Payment	Common Share Delivery
(i)	on or before the Effective Date	USD\$75,000 (the receipt of which is hereby acknowledged by the Optionor)	1,000,000 common shares in the capital of the Optionee
(ii)	on or before each anniversary of the Effective Date during the Option Period	USD\$75,000	Nil

5.2 **Acknowledgement by Optionor.** The Optionor acknowledges that the Consideration Shares will be subject to a statutory hold period pursuant to the *Securities Act* (Ontario). The Optionee shall hold the Consideration Shares in escrow and shall deliver the Consideration shares to the Optionor on January 15, 2018.

## 6. EXERCISE OF OPTION

6.1 **Option Exercise.** If the Option is in good standing, the Optionee shall have the right at any time during the Option Period to provide an Exercise Notice to the Optionor of its intention to exercise the Option and pay the Purchase Price. The closing of the sale, assignment and transfer of the Optioned NSR, shall take place on the Business Day that is three days after the date of the Exercise Notice or such other date agreed to by the Parties. At the closing, the Optionor will deliver the entire interest in the Optioned NSR to the Optionee free and clear of all Encumbrances by way of written quitclaim and release in form and content satisfactory to the Optionee, acting reasonably, subject to the reversion interest in favour of the Optionor pursuant to Section 6.3 and the Optionee will deliver to the Optionor the cash payment representing the Purchase Price (the Common Shares having already been delivered).

6.2 **No Partial Interest.** If the Optionee fails to exercise the Option prior to the Final Termination Date, the Optionee shall not be entitled to any partial interest in the Optioned NSR and the Option shall terminate at 11:59 pm on the Final Termination Date without further notice to the Optionee.



**6.3 Reversion of Optioned NSR.** If the Optioned NSR is acquired by the Optionee prior to the Commencement of Commercial Production and the Commencement of Commercial Production shall not subsequently occur on or before the fifth anniversary of the date of the Exercise Notice, then two-thirds of the Optioned NSR shall revert back to the Optionor without any payment or cost to the Optionor and the Optionee shall execute and deliver all documents necessary to give effect to such reversion. For purposes of clarification, subsequent to the reversion, the Optionor would own a 2 ½% NSR.

## **7. TITLE TO OPTIONED NSR**

**7.1 Transfer by Optionor.** During the Option Period, the Optionor shall not sell, transfer, assign, mortgage, pledge or otherwise encumber its interest in this Agreement or the Optioned NSR (other than to the Optionee as provided herein); provided however, the Optionor may sell, transfer or assign the entire NSR, including the Optioned NSR, to a third party (including without limitation, its members or their designees) that assumes the Optionor's obligations with respect to the Optioned NSR and the terms of this Agreement by instrument in writing satisfactory to the Optionee, acting reasonably. For clarity, if the transfer is to more than one person, the transferees must nominate a single party to act as representative for all purposes with respect to the NSR. The Optionor shall not be restricted in any manner with respect to a transfer, sale or assignment of the remaining NSR interest that is not the subject of this Agreement.

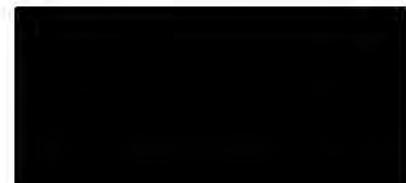
## **8. TERMINATION OF OPTION**

**8.1 Termination of Option by the Optionee.** The Optionee shall have the right to terminate the Option at any time prior to exercise thereof, on prior written notice to the Optionor.

**8.2 Termination of Option by Optionor for Non-Payment or Non-Delivery.** The Optionor shall have the right to terminate the Option as a result of a breach of section 5.1, on prior written notice to the Optionee (the "**Termination Notice**"), if within ten Business Days after receipt of the Termination Notice, the Optionee shall fail to make any of the applicable Payments in Section 5.1.

**8.3 Termination of Option by Failure to Exercise.** If the Option shall not have been exercised on or before the Final Termination Date, the Option shall automatically terminate as of such date, without any action required of the Optionor.

**8.4 Termination of Option by the Optionor for Insolvency Event.** The Optionor shall have the right to terminate the Option at any time in the event of an Insolvency Event in connection with the Optionee, on prior written notice to the Optionee (the "**Termination Notice**"), if within 30 days after receipt of the Termination Notice, the Optionee has not cured the Insolvency Event in full.



**8.5 Consequences of Termination.** Upon any termination under this Section 8, this Agreement shall immediately terminate provided that the Optionor shall be entitled to keep all Payments and Consideration Shares paid or issued to the Optionor. For certainty, upon such termination, the Optionee shall have no right, title or interest whatsoever in the Optioned NSR.

## 9. CONFIDENTIALITY

**9.1 Confidentiality.** No disclosure or announcement, public or otherwise, in respect of this Agreement or the transaction herein contained shall be made by any Party without the prior written consent of the other Party as to timing and content, provided that the obligations herein will not prevent either Party from making, after consultation with the other Party, such disclosure as its counsel may advise is required by applicable law or the rules and policies of any securities regulatory authority or stock exchange having jurisdiction or potential jurisdiction.

## 10. NOTICE - GENERAL

**10.1 Notices.** All notices, requests, demands or other communications which by the terms hereof are permitted to be given by a Party to the other Parties shall be given in writing by personal delivery or fax, addressed to such other Parties or delivered to such other Parties as follows:

- (i) to the Optionee at:

Darnley Bay Resources Limited  
365 Bay Street, Suite 400  
Toronto, Ontario, M5H 2V1

Attention: Jamie Levy, President  
Email: jlevy@darnleybay.com

- (ii) to the Optionor at:

Karst Investments LLC  
c/o Margaret Kent  
PO Box 1596  
Kailua Kona, HI 96745

Attention: Margaret Kent  
Email: mininglady@hotmail.com  
Copy: Richard Meschke  
Email: richardmeschke@yahoo.com



or at such other addresses and to such other Person that may be given by any of them to the others in writing from time to time on ten days' prior written notice and such notices, requests, demands or other communications shall be deemed to have been received when delivered. Any such notice or communication shall be deemed received when actually delivered (where given via e-mail or overnight courier provided reasonable documentation of such delivery can be produced) or three (3) business days after mailing. Either Party shall have the right to change the address to be used for notices to it hereunder by providing the others with notice thereof in accordance with this provision.

## 11. MISCELLANEOUS - GENERAL

**11.1 Acts in Good Faith.** Each Party shall at all times during the currency of this Agreement and after the exercise of the Option, act in good faith with respect to the other Party and shall do or cause to be done all things within their respective powers which may be necessary or desirable to give full effect to the provisions hereof.

**11.2 Severability.** Any provision of this Agreement which is invalid or unenforceable shall not effect any other provision and shall be deemed to be severable herefrom.

**11.3 Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

**11.4 Further Assurances.** The Parties shall sign such further and other documents and do such further acts or things as may be necessary or desirable in order to give full force and effect to this Agreement and every part hereof, including for greater certainty and without limitation, and any and all public deeds and documents as counsel for the Optionee shall deem necessary to effect a registration of this Agreement against the Optioned NSR to constitute notice to third Persons, on terms and conditions satisfactory to the Parties, as provided in Section 11.8 hereof.

**11.5 Amendment.** This Agreement may not be amended or modified in any respect except by written instrument signed by the Parties.

**11.6 Entire Agreement.** This Agreement constitutes the entire agreement among the Parties with respect to the subject matter hereof. The execution of this Agreement has not been induced by nor do the Parties rely upon or regard as material, any covenants, representations or warranties whatsoever not incorporated herein and made a part hereof.

**11.7 Enurement.** This Agreement shall enure to the benefit of and be binding upon the Parties and each of their respective heirs, executors, administrators, legal representatives, successors and permitted assigns, but no other Person.

**11.8 Memorandum of this Agreement.** If required by the Optionee, the Parties shall execute, deliver and record a memorandum of this Agreement with the government of the Northwest Territories, Industry, Tourism and Investment division so as to give public notice of the existence of this Agreement.

**11.9 Remedy** The failure of a party to insist upon the strict performance of any term of this Agreement, or to exercise any right, or remedy contained in this Agreement, will not be construed as a waiver or a relinquishment by that party for the future of that term, right, or remedy.

**11.10 Time of the Essence.** Time will be of the essence.

**11.11 Counterparts.** This Agreement may be executed in several counterparts by original or telefacsimile signature, each of which so executed shall be deemed to be an original and such counterparts together shall constitute one and the same document.

***<Signature page follows>***



IN WITNESS WHEREOF the Parties have executed these presents as of the Effective Date.

**DARNLEY BAY RESOURCES LIMITED**

Per:   
Name: Jamie Levy  
Title: Chief executive Officer

Toronto, Ontario, July 26, 2017

**DARNLEY BAY RESOURCES LIMITED**

Per:   
Name: Halina McGregor  
Title: Chief Financial Officer

Toronto, Ontario, July 26, 2017

**KARST INVESTMENTS LLC**

Per:   
Name: Margaret Kent  
Title: Managing Member

**SCHEDULE "A"**

**NOTICE OF EXERCISE OF OPTION**

**REFERENCE** the **OPTION AND PURCHASE AGREEMENT** dated as of the \_\_\_\_ day of \_\_\_\_\_, 2017 by and between **DARNLEY BAY RESOURCES LIMITED** ("Darnley Bay") as Optionee and **KARST INVESTMENTS LLC** ("Karst") as Optionor with respect to DARNLEY BAY's Option to purchase an undivided, 50% interest in the 3% NSR royalty on the Pine Point property owned by KARST (the "**Option and Purchase Agreement**").

DARNLEY BAY hereby tenders its **NOTICE OF EXERCISE** of said Option

The Closing Date shall be the \_\_\_\_ day of \_\_\_\_\_, 20\_\_ or such other date as the parties may agree, at \_\_\_\_\_ (location to be agreed by the parties).

DARNLEY BAY represents that at closing DARNLEY BAY will pay to KARST the sum of US\$\_\_\_\_\_ representing the Purchase Price. Payment may be made by certified check or by wire transfer.

**DARNLEY BAY RESOURCES LIMITED**

By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_



**SCHEDULE "E"**

**DECLARATION FOR REMOVAL OF U.S. LEGEND**

**TO:** AST Trust Company (Canada), as registrar and transfer agent

**AND TO:** Osisko Metals Corporation (the "**Corporation**")

The undersigned (A) acknowledges that the sale of \_\_\_\_\_ of the Corporation represented by certificate number \_\_\_\_\_ / DRS holder account number \_\_\_\_\_ to which this declaration relates is being made in reliance on Rule 904 of Regulation S under the United States Securities Act of 1933, as amended (the "**U.S. Securities Act**"), and (B) certifies that (1) the undersigned is not (a) an "affiliate" of the Corporation (as that term is defined in Rule 405 under the U.S. Securities Act), (b) a "distributor" as defined in Regulation S or (c) an affiliate of a distributor; (2) the offer of such securities was not made to a person in the United States and either (a) at the time the buy order was originated, the buyer was outside the United States, or the seller and any person acting on its behalf reasonably believed that the buyer was outside the United States, or (b) the transaction was executed on or through the facilities of a designated offshore securities market (such as the TSX Venture Exchange or the Toronto Stock Exchange) and neither the seller nor any person acting on its behalf knows that the transaction has been prearranged with a buyer in the United States; (3) neither the seller nor any affiliate of the seller nor any person acting on their behalf has engaged or will engage in any directed selling efforts in the United States in connection with the offer and sale of such securities; (4) the sale is bona fide and not for the purpose of "washing off" the resale restrictions imposed because the securities are "restricted securities" (as that term is defined in Rule 144(a)(3) under the U.S. Securities Act); (5) the seller does not intend to replace securities sold in reliance on Rule 904 of Regulation S with fungible unrestricted securities; and (6) the contemplated sale is not a transaction, or part of a series of transactions, which, although in technical compliance with Regulation S, is part of a plan or scheme to evade the registration provisions of the U.S. Securities Act. Terms used herein have the meanings given to them by Regulation S under the U.S. Securities Act.

Dated: \_\_\_\_\_

**X** \_\_\_\_\_  
Authorized signatory

\_\_\_\_\_  
Name of Seller (**please print**)

\_\_\_\_\_  
Name of authorized signatory (**please print**)

\_\_\_\_\_  
Title of authorized signatory (**please print**)

**Affirmation By Seller's Broker-Dealer (required for sales in accordance with Section (B)(2)(b) above)**

We have read the foregoing representations of our customer, \_\_\_\_\_ (the "Seller") dated \_\_\_\_\_, with regard to our sale, for such Seller's account, of the securities of the Corporation described therein, and on behalf of ourselves we certify and affirm that (A) we have no knowledge that the transaction had been prearranged with a buyer in the United States, (B) the transaction was executed on or through the facilities of designated offshore securities market, (C) neither we, nor any person acting on our behalf, engaged in any directed selling efforts in connection with the offer and sale of such securities, and (D) no selling concession, fee or other remuneration is being paid to us in connection with this offer and sale other than the usual and customary broker's commission that would be received by a person executing such transaction as agent. Terms used herein have the meanings given to them by Regulation S under the U.S. Securities Act.

\_\_\_\_\_  
Name of Firm

By: \_\_\_\_\_  
Authorized officer

Date: \_\_\_\_\_

**SCHEDULE "F"**

**FORM OF LEGAL OPINION FOR REMOVAL OF LEGEND**

[DATE]

AST Trust Company (Canada)

[ADDRESS]

**Re: Osisko Metals Corporation**

Dear Sir or Madam:

We are writing in connection with the proposed removal of all legends (the "**Legends**") restricting transferability, including legends referring to the Securities Act of 1933 (the "**Securities Act**") in respect of • common shares (the "**Shares**") of Osisko Metals Corporation (the "**Company**").

For the purpose of the authorization set forth in this letter, we have relied upon the representations, warranties and covenants made by • (the "**Shareholder**") in a certificate dated • (the "**Certification**") relating to the determination that the Shareholder will only sell the Shares in an offshore resale that complies with the exemption from registration requirements under the Securities Act set forth in Rule 904 of Regulation S thereunder ("**Regulation S**") and is not an "affiliate" of the Company.

We have assumed the authenticity of all documents examined by us, the genuineness of all signatures, the legal capacity of all natural persons and the conformity with the original documents of all copies examined by us. We have also assumed, without any independent investigation or verification, the accuracy and completeness of the representations, warranties and covenants in the Certification and of any other written and oral representations that we have deemed suitable as the basis for the authorization set forth in this letter, including without limitation, that the representations, warranties and covenants of the Shareholder in the Certificate are and shall at all times remain true and correct and such covenants shall at all times be complied with.

Based upon and subject to the foregoing, we are of the opinion that the Legends will no longer apply to the Shares once transferred in accordance with the requirements of Regulation S. Accordingly, in order to facilitate the offer and sale of the Shares by the Shareholder pursuant to Regulation S the restrictive Securities Act legends may be removed from the Shares in order to facilitate the deposit of the Shares with a registered broker-dealer in advance of an offer and sale by the Shareholder in accordance with the requirements of Regulation S.