

OPTION AGREEMENT

THIS AGREEMENT is executed and made effective the 5th day of November, 2015.

BETWEEN:

CLAYTON VALLEY LITHIUM INC. of 3655 West Anthem Way,
Suite 109 – 293, Anthem, AZ, USA 85086

(hereinafter referred to as the "**Optionor**")

OF THE FIRST PART

AND:

1045564 B.C. LTD. of 25th Floor – 700 West Georgia Street, Vancouver,
BC, Canada V7Y 1B3

(hereinafter referred to as the "**Optionee**")

OF THE SECOND PART

WHEREAS:

A. The Optionor is the legal, beneficial and registered holder of a 100% undivided right, title and interest in and to the NSP Lithium claims comprised of 77 unpatented placer mining claims covering 1540 acres in Esmeralda County, Nevada, and more particularly described in Schedule "A" hereto (the "**Property**");

B. The parties previously entered into a letter of intent (the "**LOI**") with respect to the Property, pursuant to which the Optionor granted to the Optionee an option (the "**Option**") to acquire a 100% interest in the Property, subject to a Royalty (as defined below);

C. The Optionee has entered into a letter agreement pursuant to which it will amalgamate (the "**Amalgamation**") with Royce Resources Corp. ("**Royce**") or a subsidiary of Royce and, in result, will become a wholly-owned subsidiary of Royce;

D. Royce is a reporting issuer with its common shares listed on the NEX Board of the TSX Venture Exchange (the "**Exchange**") and the parties wish to provide that upon completion of the Amalgamation any common shares issuable to the Optionor pursuant to the terms of this Option Agreement will consist of common shares of Royce; and

E. The parties hereby wish to enter into this Option Agreement with respect to the Property to formalize the parties' respective interests and ongoing rights and obligations subject to the terms and conditions herein.

NOW THEREFORE, this Option Agreement witnesses that for good and valuable consideration, the receipt and sufficiency of which is acknowledged, the Optionee and Optionor agree as follows:

ARTICLE 1 **INTERPRETATION**

1.1 **Number and gender.** Words importing the singular number shall include the plural and vice versa; words importing gender (or the lack thereof) shall include all genders of lack thereof interchangeably; and words importing persons shall include corporations and other business enterprises and vice versa.

1.2 **Currency.** Unless otherwise expressly stated, all references to currency in this Option Agreement are references to lawful currency of Canada.

1.3 **Headings.** The use of headings in this Option Agreement and the schedules hereto are solely for ease of reference and shall not affect the interpretation or the construction of any provision hereof.

1.4 **References.** Unless otherwise stated, a reference to an Article, Section or other organizational division shall refer to the respective Article, Section or other organizational division of this Option Agreement.

ARTICLE 2 **GRANT OF OPTION**

2.1 **Option grant.** Subject to Article 6 hereof, the Optionor hereby grants to the Optionee the Option.

2.2 **Option terms.** In order to exercise the Option and acquire an undivided 100% interest in the Property, subject only to the Royalty, the Optionee shall:

- (a) Make the following cash and share payments to the Optionor:
 - (i) pay US\$100,000 in cash on the date, on which the Optionee completes its Amalgamation with Royce and cause Royce to issue 1,000,000 common shares of Royce (the "**Royce Shares**") to the Optionee (the "**Closing Date**");
 - (ii) pay an additional US\$250,000 in cash on each of the first, second, third and fourth anniversaries of the Closing Date; and
 - (iii) cause Royce to issue and deliver to the Optionee, in four equal tranches, on each of the first, second, third and fourth anniversaries of the Closing Date, that number of Royce Shares (less the 1,000,000 Royce Shares issued pursuant to section 2.2(a)(i) above) as shall represent, in aggregate, 9.9% of the total Royce Shares issued and outstanding as at the Closing Date;
- (b) Subject to sections 2.3 and 3.2 below, the Optionee shall incur exploration expenditures on the Property as follows:
 - (i) expend a minimum of US\$1,000,000 on the Property by the first anniversary of the Closing Date;
 - (ii) expend a further US\$1,500,000 on the Property by the second anniversary of the Closing Date; and

- (iii) expend a further US\$2,000,000 on the Property by the third anniversary of the Closing Date.
- (c) The Optionee shall prepare and deliver to the Optionor a pre-feasibility study (as defined in National Instrument 43-101) on the Property (the "**Pre-feasibility Study**") on or before the fourth anniversary of the Closing Date.
- (d) Upon completion of an Inferred Resource calculation that confirms the presence on the Property of a minimum of 100,000 tons lithium carbonate equivalent grading at no lower than a 28 parts per million Lithium grade average, the Optionee shall cause Royce to issue to the Optionor 1,000,000 Royce Shares.
- (e) Upon completion of an Economic Feasibility Study (as defined below) on the Property, to be prepared by the Optionee and delivered to the Optionor, on or before the tenth anniversary of the Closing Date, the Optionee will pay to the Optionor US\$2,000,000 in cash or in Royce Shares, or a combination thereof, determined at the election of Optionee. For the purposes of this Option Agreement "Economic Feasibility Study" means a feasibility study (within the meaning ascribed to that term by the Canadian Institute of Mining, Metallurgy and petroleum, as the CIM Definition Standards on Mineral Resources and Mineral Reserves adopted by CIM Council, as amended) which demonstrates the economic viability of bringing the Property into commercial production. In the event that the Optionee elects that Royce Shares be issued for all or a portion of such payment, then the number of Royce Shares required to be delivered to the Optionor shall be determined by (i) converting the US dollar amount to be so paid into Canadian dollars based on the Bank of Canada's daily noon exchange rate as of the date of completion of such economic feasibility study (or if such day is not a business day for the Bank of Canada, then on the preceding business day) and (ii) dividing the resulting Canadian dollar amount by an amount equal to the greater of: (A) the average of the closing price of the Royce Shares on the Exchange (or other stock exchange on which the common shares of Royce are principally traded) for the ten (10) Trading Days prior to the date such economic feasibility study has been approved by both parties ("**Trading Day**" means a day on which the Exchange (or other stock exchange on which the common shares of Royce are principally traded) is open for trading and the common shares of Royce have traded), and (B) CAD\$0.05.
- (f) The Optionee acknowledges that the Optionor has reserved unto itself (and the Optionee's interest in the Property shall be subject to) a gross value returns royalty (the "**Royalty**") to be determined and paid in accordance with the terms and conditions set out in Schedule "D" hereto. The Optionee shall have the right to buy down 1.5% of the Royalty at any time in consideration for the payment of US\$3,000,000 to the Optionor; and
- (g) The Optionee shall pay to the Optionor, as a minimum annual advance royalty, commencing on the fifth anniversary of the Closing Date (and thereafter on or before each subsequent anniversary date of the Closing Date), the sum of US\$250,000 (the "**Advance Royalty Payments**"). All such Advance Royalty Payments paid by the Optionee will be credited towards the Royalty due to the Optionor.

2.3 **Excess Expenditures.** If the Optionee incurs exploration expenditures pursuant to section 2.2(b), in excess of the amounts specified therein, any such excess expenditures may be carried forward to subsequent years and be credited towards the Optionee's subsequent exploration expenditure requirements under section 2.2 (b) hereof.

2.4 **Cash in Lieu of Expenditures.** In the event the Optionee incurs expenditures in any year of less than the amounts required under Section 2.2(b), such shortfalls may be paid as cash in lieu to the Optionor in order to keep the Option in good standing, such cash payments to be made within 30 days of the end of the period in which the expenditures were required to be made.

2.5 **Optional.** For greater clarification, the obligations under section 2.2(a), (b) and (c) hereof, are optional only (but nonetheless required to keep the Option in good standing) and, accordingly, are not firm and binding commitments of the Optionee.

2.6 **Deposit.** The Optionor acknowledges receipt from the Optionee of the sum of US\$40,000 as a non-refundable reimbursement for a portion of the Optionor's out-of-pocket costs in acquiring the Property.

2.7 **Resale Restrictions.** The Optionor hereby acknowledges that Royce's ability to issue the shares pursuant to this Agreement is subject to the applicable securities laws and the rules and policies of the Exchange, and that the Royce Shares issued to the Optionor will be subject to resale restrictions imposed by the applicable securities laws and the rules of the Exchange, which rules require that a restrictive legend be placed on share certificates delivered to the Optionor under this Option Agreement, and the Optionor covenants and agrees with the Optionee to abide by all such resale restrictions.

2.8 **Conditions to Closing in favour of the Optionee.** The obligations of the Optionee to consummate the transaction contemplated hereby is subject to the following conditions, which are for the Optionee's sole benefit and which may be waived in writing by the Optionee on or before the Closing Date:

- (a) The Optionee will be satisfied as to the interest in the Property held by the Optionor;
- (b) The representations and warranties of the Optionor contained herein will have been true and correct as of the date of this Option Agreement and will be true and correct as of the Closing Date with the same force and effect as if made on and as of such Closing Date; and
- (c) The Amalgamation Agreement shall have been entered into by the Optionee and shall be in good standing; and
- (d) The Optionee shall have received all applicable regulatory and shareholder approvals required in order to complete the Amalgamation and the transactions contemplated hereunder.

2.9 **Conditions to Closing in favour of the Optionor.** The obligations of the Optionor to consummate the transactions contemplated hereby is subject to the following conditions, which are for the Optionor's sole benefit and which may be waived in writing by the Optionor on or before the Closing Date:

- (a) Receipt of all applicable regulatory and shareholder approvals required on the part of Royce on or before the date which is 60 days from the date of this Agreement;
- (b) The Closing Date occurring no later than 10 days after receipt of all requisite approvals, or such other date as may be agreed to by the parties; and
- (c) Royce having a minimum cash position of Cdn\$1,500,000 on the Closing Date.

ARTICLE 3
EXERCISE OF OPTION

3.1 **Option Exercise.** Upon the Optionee paying such sums, incurring such expenditures, issuing such Royce Shares and preparing and delivering the Pre-feasibility Study as required pursuant to sections 2.2(a), (b) and (c) hereof, the Optionee will be deemed to have exercised the Option and to have acquired a 100% right, title and interest in the Property, subject only to the Royalty.

3.2 **Acceleration of Earning of Interest.** Notwithstanding section 3.1, upon the Optionee, having completed the payments and share issuances pursuant to section 2.2(a) and having prepared and delivered a Pre-feasibility Study pursuant to section 2.2(c), notwithstanding the amount of exploration expenditures that may have been incurred on the Property, the Optionee will have earned a 100% interest in the Property.

3.3 **Transfer of Title.** Upon the exercise of the Option under section 3.1 or 3.2 hereof, the Optionor shall deliver to the Optionee such duly executed transfer documents respecting the Property in favour of the Optionee, as the Optionee or its counsel may reasonably deem necessary to transfer and assign the legal, beneficial and recorded title to the Property.

ARTICLE 4
MATTERS RELATING TO THE PROPERTY

4.1 **Possession and working right.** During the currency of the Option and subject to the terms of the Exploration Management Agreement entered into concurrently with this Option Agreement between the Optionee and GeoXplor Corp., the Optionee shall be the exclusive operator of the Property and shall have the exclusive working right to enter on, have exclusive and quiet possession thereof and conduct exploration, prospecting, development and any other operations on the Property as the Optionee in its sole discretion may decide, including but not limited to the right:

- (a) to erect, bring and install on the Property all buildings, plant, machinery, equipment, tools, appliances or supplies as the Optionee shall deem necessary and proper; and
- (b) to remove from the Property reasonable quantities of rocks, minerals, ores, metals, diamonds and other gems, and to transport them for the purposes of sampling, metallurgical testing and assaying.

4.2 **Conduct of operations.** All operations conducted by the Optionee shall be in accordance with good exploration, development, mining and reclamation practice, and in compliance with all applicable legislation.

4.3 **Maintenance of Property.** During the currency of the Option, the Optionee shall carry out sufficient assessment or other work or pay sufficient fees in lieu of such work to maintain the Property in good standing; shall prepare and file the annual assessment reports for and on behalf of the Optionee to comply with the Bureau of Land Management assessment requirements; and shall pay any and all taxes, assessments and other charges lawfully levied or assessed against the Property under the laws of the State of Nevada or U.S. Federal law, except for any part of the Property abandoned pursuant to section 4.4 hereof. The Optionor shall promptly transmit to the Optionee any and all notices pertaining to any and all taxes, assessments and other charges lawfully levied or assessed against the Property, and upon 15 days of receiving such notice, the Optionee shall reimburse the Optionor for any and all costs associated with the applicable reports and filings. The Optionee shall deliver to the Optionor, not later than 30 days prior to

the deadline date for the payment of annual claim maintenance fees, evidence that all such fees have been timely paid.

4.4 **Abandonment during Option.** During the currency of the Option, the Optionee may at any time and from time to time abandon any one or more of the claims which comprise the Property. In such event, the Optionee shall give the Optionor 60 days notice in writing of such abandonment and the abandoned claims shall be free and clear of any and all defects, charges, liens and encumbrances of any nature and kind whatsoever and shall be in good standing at the time of the notice of abandonment.

4.5 **Access to operations.** During the currency of the Option, the Optionor may, at its own risk and expense, and at reasonable times agreed to by the Optionee, enter on the Property and examine the Optionee's operations thereon, always provided that the Optionor will not, in the opinion of the Optionee, interfere with same.

4.6 **Records and Further Assurances.** Upon execution of this Option Agreement, the Optionor shall make available to the Optionee all available technical data, geotechnical reports, maps, digital files and other data with respect to the Property, provide all such consents or other documentation and do all such things as may be reasonably requested by the Optionee in connection with obtaining Exchange approval and completing the transactions contemplated under this Option Agreement.

ARTICLE 5

REPRESENTATIONS AND WARRANTIES

5.1 **Optionor's representations and warranties.** The Optionor represents and warrants to the Optionee that:

- (a) it is a company duly and validly subsisting under the laws of Nevada, and that all necessary approvals of its directors, officers and shareholders, and any further approvals that may be required in connection therewith, have been obtained or will have been obtained on or prior to the Closing Date to authorize the entering into and delivery of this Option Agreement and the taking of all actions required pursuant hereto by the Optionor;
- (b) it is, and during the period of the Option, will be the legal, registered and beneficial holder of a 100% interest in the Property, free and clear of any and all defects, charges, liens and encumbrances of any nature or kind whatsoever, whether written or oral, direct or indirect;
- (c) it (i) has not transferred or encumbered, (ii) has not agreed to transfer or encumber, or (iii) will not agree to transfer or encumber all or any of its right, title or interest in and to the Property, except as provided for in this Option Agreement;
- (d) the Property has been duly and validly staked, located and recorded in accordance with the applicable laws, and is in good standing, free and clear of all assessments, charges, liens and encumbrances of any nature or kind whatsoever, whether written or oral, direct or indirect;
- (e) there are no actions, suits, claims, proceedings, litigation or investigations pending, or to the best of the Optionor's knowledge, threatened, or any judgments outstanding and unsatisfied, against or affecting, any part or all of the Property;
- (f) no other person has any agreement or other right to acquire any interest in the Property;

- (g) there is no existing, contemplated or threatened governmental prohibition or moratorium on exploration or development work on the Property;
- (h) conditions on and relating to the Property and all previous work or operations conducted by the Optionor thereon are in compliance with all applicable laws, regulations or orders relating to environmental matters including, without limitation, waste disposal and storage and neither it, nor to its knowledge any person, has received any notice of any breach of any such laws, and it has no knowledge of any facts which would lead a well-informed operator in the mining industry to believe there are any environmental liabilities associated with the Property, and there are no environmental audits, evaluations, assessments or studies relating to the Property;
- (i) to the best of its knowledge, information and belief, there are no outstanding orders or directions relating to environmental matters requiring any work, repairs, construction or capital expenditures with respect to the Property and the conduct of operations related thereto, it has not received any notice of the same and it is not aware of any basis on which any such order or direction could be made;
- (j) full and complete copies of all available exploration information and data, including all geological, geophysical and geochemical information and data (including all drill, sample and assay results and all maps) concerning the Property in its possession or control have been provided to the Optionee;
- (k) it has all material permits, authorizations, licences, registrations and certificates necessary to carry on its business as currently conducted and as contemplated by this Option Agreement;
- (l) all fees, taxes, assessment, rentals, levies or other payments required to be made to the date hereof relating to the Property have been made;
- (m) to the best of the Optionor's knowledge, information and belief, the Property does not contain any hazardous or toxic material, pollution or other adverse environmental conditions that may give rise to any environmental liability under any applicable environmental laws, regulations, rules or by-laws, under any applicable environmental laws, regulations, rules or by-laws and the Optionor has not received, nor are they aware of any pending or threatened, notice of non-compliance with any environmental laws, regulations, rules or by-laws;
- (n) to the best of the Optionor's knowledge, information and belief, the Property has been operated in accordance with all applicable environmental laws and there are no environmental conditions existing in the Property as a result of activities thereon of the Optionor, or as a result of the activities thereon of any other party, to which any remedial action is required or any liability has or may be imposed under applicable environmental laws;
- (o) the Optionor has not received from any governmental or regulatory agency or board, any notice of or communication relating to any actual or alleged environmental claims, and there are no outstanding work orders or actions required to be taken relating to environmental matters respecting the Property or any operations carried out on the Property;

- (p) it has the full and undisputed power, right and authority to enter into and deliver this Option Agreement, to perform and observe the covenants and conditions on its part to be performed and observed herein, and to deal with the Property as provided for in this Option Agreement;
- (q) neither the execution or delivery of this Option Agreement, nor the performance or observance of the provisions hereof, will conflict with or result in the violation, contravention or breach of, or constitute or result in a default under:
 - (i) any of the terms and provisions of any law applicable to the Optionor;
 - (ii) any agreement, written or oral, to which the Optionor may be a party or by which the Optionor is or may be bound; or
 - (iii) the constating documents of the Optionor or of any resolution of its directors or shareholders;
- (r) this Option Agreement has been duly executed and delivered by the Optionor and it constitutes a valid, legal and binding agreement enforceable against the Optionor in accordance with its terms; and
- (s) it is not aware of any material fact or circumstance which has not been disclosed to the Optionee, which should be disclosed in order to prevent the representations and warranties in this section from being misleading or which may be material in the Optionee's decision to enter into this Option Agreement.

5.2 **Optionee's representations and warranties.** The Optionee represents and warrants to the Optionor that:

- (a) it is a company duly and validly subsisting under the laws of British Columbia, and all necessary approvals of its directors and officers, and any further approvals that may be required in connection therewith, have been or will have been obtained on or prior to the Closing Date to authorize the entering into and delivery of this Option Agreement and the taking of all actions required pursuant hereto by the Optionee;
- (b) it has the full and undisputed power, right and authority to enter into and deliver this Option Agreement, to perform and observe the covenants and conditions or its part to be performed and observed herein, and to deal with the Property as provided for in this Option Agreement;
- (c) neither the execution or delivery of this Option Agreement, nor the performance or observance of the provisions hereof, will conflict with or result in the violation, contravention or breach of, or constitute or result in a default under:
 - (i) any of the terms and provisions of any law applicable to the Optionor;
 - (ii) any agreement, written or oral, to which the Optionee may be a party or by which the Optionee is or may be bound; or
 - (iii) the constating documents of the Optionee or of any resolution of its directors or shareholders; and

- (d) this Option Agreement has been duly executed and delivered by the Optionee and it constitutes a valid, legal and binding agreement enforceable against the Optionee in accordance with its terms.

ARTICLE 6 **APPROVAL**

6.1 **Approval.** It shall be a condition precedent to the rights and obligations of the parties arising under this Option Agreement that the Exchange approve the transaction contemplated under this Option Agreement. The parties agree to use their commercially reasonable efforts to obtain all required approvals including but not limited to Exchange approval on or before the date which is 60 days from the date of this Agreement, or such other date as the parties agree upon in writing.

6.2 **Technical Report.** If required pursuant to the policies of the Exchange or under applicable securities laws, the Optionee shall use its best efforts to prepare, deliver and file a technical report in compliance with the requirements of National Instrument 43-101 of the Canadian Securities Administrators with respect to the Property.

ARTICLE 7 **DEFAULT AND TERMINATION**

7.1 **Event of Default and Termination by Optionor.** If the Optionee shall be in default in making any payments or exploration expenditure commitments, in causing the issuance of any Royce Shares or preparing and delivering the Pre-feasibility Study within the times required under sections 2.2(a), (b) or (c) hereof, the Optionor shall have the right to terminate this Option Agreement if written notice of such default has been provided by the Optionor to the Optionee and such default has not been rectified within 30 days from the date of receipt of such notice.

7.2 **Termination by Optionee.** The Optionee shall be entitled to terminate this Option Agreement without further liability at any time by giving sixty (60) days written notice of termination to the Optionor.

7.3 **Optionee's Responsibilities on Termination.** If this Option Agreement is terminated prior to the Optionee exercising the Option hereunder:

- (a) the Optionee shall remove from the Property, within six (6) months of the effective date of termination, all exploration, mining and other facilities erected, installed or brought upon the Property by or at the instance of the Optionee, and any exploration, mining or other facilities remaining on the Property after the expiration of such six (6) month period shall, without compensation to the Optionee, become the property of the Optionor;
- (b) on the request of the Optionor, the Optionee shall allow the Optionor, at the Optionor's risk, cost and expense, to take possession of all drill cores and cuttings, assay pulps and brine samples obtained from the Property; and
- (c) the Optionee shall leave the claims comprising the Property in good standing under applicable mineral claims legislation of the State of Nevada at the time of termination of this Option Agreement.

7.4 **Automatic Termination.** Notwithstanding any other provision of this Option Agreement, if the Closing Date does not occur on or before 70 days from the date of this Option

Agreement, or on such other date as may be agreed to by the parties, then this Option Agreement shall terminate and be of no further force or effect.

ARTICLE 8 **FORCE MAJEURE**

8.1 **Force Majeure.** If the Optionee is prevented or delayed in complying with any provisions of this Option Agreement by reason of strikes, lockouts, labour shortages, power shortages, floods, fires, wars, acts of God, governmental regulations restricting normal operations or any other reason or reasons beyond the control of the Optionee, the time limited for the performance of the various provisions of this Option Agreement as set out above shall be extended by a period of time equal in length to the period of such prevention and delay. The Optionee, insofar as is possible, shall promptly give written notice to the Optionor of the particulars of the reasons for any prevention or delay under this section and shall take all reasonable steps to remove the cause of such prevention or delay as soon as reasonably practicable, and shall give notice to the Optionor as soon as such cause ceases to subsist.

ARTICLE 9 **INDEMNITIES**

9.1 **Mutual Indemnity.** Each party hereto shall and does hereby indemnify and save harmless the other, as well as the other's directors, officers, employees, servants, agents, contractors and shareholders, from and against any and all claims, demands, actions, suits, proceedings, liabilities, losses, damages, costs, expenses, fees, fines, penalties, interests and deficiencies of any nature or kind whatsoever arising by virtue of or in respect of any inaccuracy, misstatement, misrepresentation, act or omission made by such party in connection with any matter set out herein, and any and all claims, demands, actions, suits, proceedings, liabilities, losses, damages, costs, expenses, fees, fines, penalties, interests and deficiencies of any nature or kind whatsoever related or incidental thereto.

9.2 **Survival of Indemnities.** Notwithstanding any other provision of this Option Agreement, the indemnities provided herein shall remain in full force and effect until all possible liabilities of the persons indemnified thereby are extinguished by the operation of law and will not be limited to or affected by any other indemnity obtained by such indemnified persons from any other person.

9.3 **No Waiver.** No investigation made by or on behalf of either of the parties hereto at any time shall have the effect of waiving, diminishing the scope of or otherwise affecting any representation, warranty or covenant made by the other party herein or pursuant hereto. No waiver by either of the parties hereto of any provision herein, in whole or in part, shall operate as a waiver of any other provision herein.

ARTICLE 10 **LIMITATION OF OBLIGATIONS OF OPTIONEE**

10.1 **Limitation.** It is understood and agreed that nothing contained in this Option Agreement, nor any payment made or incurred by the Optionee on or in connection with the Property or part of it, nor the doing of any act or thing by the Optionee under this Option Agreement shall obligate the Optionee to do anything else under this Option Agreement other than to make payments and incur expenditures to the extent that it may have expressly undertaken to do so pursuant to the terms of this Option Agreement.

ARTICLE 11
ADDITIONAL PROPERTIES

11.1 **Tie-On Ground.** The Optionor has located and recorded an additional 141 placer mining claims situated in Clayton Valley, Nevada (collectively, the "**Tie-On Ground**"), all of which claims are contiguous to the Property, the particulars of which are as set out in Schedule "B" hereto. The placer mining claims comprising the Tie-On Ground have been properly recorded with the Bureau of Land Management and with Esmeralda County. The Optionee hereby agrees and undertakes to pay to the Optionor US\$500 for each such placer mining claim, within 10 days of the date of this Option Agreement, and, upon such payment being made, the Tie-On Ground will form part of the Property for all the purposes of this Agreement.

11.2 **Paymaster Claims.** The Optionor has also located but not yet recorded approximately 47 additional claims as set out in Schedule "C" hereto (collectively, the "**Paymaster Claims**"). Upon the Paymaster Claims being properly recorded with the Bureau of Land Management and Esmeralda County, the Optionee shall have the option, but not the obligation, exercisable within a period of 15 days from the later of the Closing Date and the date the Paymaster Claims are properly recorded, to acquire the Paymaster Claims in consideration for the payment to the Optionor of US\$500 per claim (the date of such payment being made, the "**Paymaster Date**"), and incurring an aggregate of US\$250,000 in exploration expenditures on the Paymaster Claims within two years of the Paymaster Date. Upon the Paymaster Claims being acquired by the Optionee, the Paymaster Claims shall be subject to the Royalty granted pursuant to section 2.2(f) hereof.

ARTICLE 12
GENERAL

12.1 **Notices.** All notices, communications and other documents required or permitted to be given hereunder shall be in writing and shall be personally delivered or sent by prepaid registered mail or facsimile transmission (with confirmed receipt) to the recipient as follows:

- (a) in the case of the Optionee:

1045564 B.C. Ltd.
25th Floor, 700 West Georgia Street
Vancouver, BC. Canada V7Y 1B3
Attention: Brian Paes-Braga, President
Fax: (604) 609-6145

- (b) in the case of the Optionor:

Clayton Valley Lithium Inc.
3655 West Anthem Way, Suite 109-293
Anthem, AZ, USA 85086
Attention: Clive Ashworth, President

and shall be deemed to be validly given and received (i) if personally delivered or sent by facsimile transmission (with confirmed receipt), on the date of delivery or transmission if delivered or transmitted during normal business hours and on the next business day following the date of delivery or transmission if delivered or transmitted after normal business hours; and (ii) if sent by prepaid registered mail, on the date which is five (5) business days after the date of mailing excluding all days in which postal service is

disrupted. Either party may from time to time change its address by notice to the other in accordance with this Section.

12.2 **Severability.** If any part of this Option Agreement is held invalid, illegal or unenforceable by a court of law, then this Option Agreement shall be read as if such invalid, illegal or unenforceable provision were removed.

12.3 **Expenses.** Each of the Optionor and the Optionee shall be responsible for payment of its own expenses in connection with the transactions contemplated herein, with the exception that the Optionee shall pay: (a) a maximum of up to US\$15,000 of the reasonable legal expenses incurred by the Optionor in respect of the transactions contemplated herein, inclusive of the LOI, this Option Agreement, and any amendments thereof; and (b) the costs of preparation, delivery and filing of any required technical report(s).

12.4 **Entire agreement.** This Option Agreement sets forth the entire agreement between the parties, and any persons who have in the past or who are now representing either of the parties, with respect to the subject matter hereof and supersedes all prior communications, understandings and agreements between the parties or any of them with respect to the subject matter hereof.

12.5 **Further Assurances.** Each party hereto agrees to execute and deliver, or cause to be executed and delivered, such further instruments and assurances, and to do such further acts and things, as may be necessary or desirable to give effect to this Option Agreement, including but not limited to such as may be required for registering or recording changes in the ownership interests in the Property.

12.6 **Assignment.** Subject to Section 6(c) of Schedule "D" attached hereto, during the currency of the Option, neither party may assign or otherwise transfer all or part of its interest in and to this Option Agreement to any third party without prior consent of the other party. Any assignment shall be subject to the assignee entering into an agreement, in form and substance satisfactory to counsel for the other party, agreeing to be bound by this Option Agreement.

12.7 **Encumbrances.** During the currency of the Option, the parties shall not pledge, mortgage, charge or otherwise encumber their rights and obligations under this Option Agreement or their beneficial interest in and to the Property without the consent of the other party, which consent shall not be unreasonably withheld.

12.8 **Enurement.** This Option Agreement shall enure to the benefit of and be binding on the parties and their respective successors and permitted assigns.

12.9 **Confidentiality.** The parties agree to maintain the highest level of confidentiality with respect to this Option Agreement and all matters relating to the Property, except for matters required to be publicly disclosed by law or the rules or policies of any regulatory authority, stock exchange or quotation system.

12.10 **Arbitration.** Any dispute or conflict between the parties under this Option Agreement which cannot be settled by them shall be submitted to a mutually agreeable mediator who will have no authority to bind the parties and, in the event that mediation efforts are unsuccessful, to a single arbitrator pursuant to the provisions of the *Commercial Arbitration Act* (British Columbia) or, if the parties cannot agree upon a single arbitrator, to three arbitrators, one appointed by the Optionor, one appointed by the Optionee and a third appointed by the arbitrators appointed by the parties. Arbitration proceedings shall take place in Vancouver, British Columbia, at such place that the arbitrator or arbitrators shall determine.

Schedule "A"

Description of the Property

| Name | Claim Number | NMC Number | Esmeralda County Doc # |
|-------------|---------------------|-------------------|-------------------------------|
| NSP | 1 | 1105525 | 192858 |
| NSP | 2 | 1105526 | 192859 |
| NSP | 3 | 1105527 | 192860 |
| NSP | 4 | 1105528 | 192861 |
| NSP | 5 | 1105529 | 192862 |
| NSP | 6 | 1105530 | 192863 |
| NSP | 7 | 1105531 | 192864 |
| NSP | 8 | 1105532 | 192865 |
| NSP | 9 | 1105533 | 192866 |
| NSP | 10 | 1105534 | 192867 |
| NSP | 11 | 1105535 | 192868 |
| NSP | 12 | 1105536 | 192869 |
| NSP | 13 | 1105537 | 192870 |
| NSP | 14 | 1105538 | 192871 |
| NSP | 15 | 1105539 | 192872 |
| NSP | 16 | 1105540 | 192873 |
| NSP | 17 | 1105541 | 192874 |
| NSP | 18 | 1105542 | 192875 |
| NSP | 19 | 1105543 | 192876 |
| NSP | 20 | 1105544 | 192877 |
| NSP | 21 | 1105545 | 192878 |
| NSP | 22 | 1105546 | 192879 |
| NSP | 23 | 1105547 | 192880 |
| NSP | 24 | 1105548 | 192881 |
| NSP | 25 | 1105549 | 192882 |
| NSP | 26 | 1105550 | 192883 |
| NSP | 27 | 1105551 | 192884 |
| NSP | 28 | 1105552 | 192885 |
| NSP | 29 | 1105553 | 192886 |
| NSP | 30 | 1105554 | 192887 |
| NSP | 31 | 1105555 | 192888 |
| NSP | 32 | 1105556 | 192889 |
| NSP | 33 | 1105557 | 192890 |
| NSP | 34 | 1105558 | 192891 |
| NSP | 35 | 1105559 | 192892 |
| NSP | 36 | 1105560 | 192893 |
| NSP | 50 | 1111227 | 194120 |
| NSP | 51 | 1111228 | 194121 |
| NSP | 52 | 1111229 | 194122 |
| NSP | 53 | 1111230 | 194123 |
| NSP | 54 | 1111231 | 194124 |

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|-----|----|---------|--------|
| NSP | 55 | 1111232 | 194125 |
| NSP | 56 | 1111233 | 194126 |
| NSP | 57 | 1111234 | 194127 |
| NSP | 58 | 1111235 | 194128 |
| NSP | 59 | 1111236 | 194129 |
| NSP | 60 | 1111237 | 194130 |
| NSP | 61 | 1111238 | 194131 |
| NSP | 62 | 1111239 | 194132 |
| NSP | 63 | 1111240 | 194133 |
| NSP | 64 | 1111241 | 194134 |
| NSP | 65 | 1111242 | 194135 |
| NSP | 66 | 1111264 | 194158 |
| NSP | 67 | 1111265 | 194159 |
| NSP | 68 | 1111266 | 194160 |
| NSP | 69 | 1111267 | 194161 |
| NSP | 70 | 1111268 | 194162 |
| NSP | 71 | 1111269 | 194163 |
| NSP | 72 | 1111270 | 194164 |
| NSP | 73 | 1111271 | 194165 |
| NSP | 74 | 1111272 | 194166 |
| NSP | 75 | 1111273 | 194167 |
| NSP | 76 | 1111274 | 194168 |
| NSP | 77 | 1111275 | 194169 |
| NSP | 78 | 1111276 | 194170 |
| NSP | 79 | 1111277 | 194171 |
| NSP | 80 | 1111278 | 194172 |
| NSP | 81 | 1111279 | 194173 |
| NSP | 82 | 1111280 | 194174 |
| NSP | 83 | 1111281 | 194175 |
| NSP | 84 | 1111282 | 194176 |
| NSP | 85 | 1111283 | 194177 |
| NSP | 86 | 1111284 | 194178 |
| NSP | 87 | 1111285 | 194179 |
| NSP | 88 | 1111286 | 194180 |
| NSP | 89 | 1111287 | 194181 |
| NSP | 90 | 1111288 | 194182 |

Schedule "B"

Description of Tie-On Ground

| Name | Claim Number | NMC Number | Esmeralda County Doc # |
|-------------|---------------------|-------------------|-------------------------------|
| NSP | 91 | 1112109 | 194668 |
| NSP | 92 | 1112110 | 194669 |
| NSP | 200 | 1112053 | 194717 |
| NSP | 201 | 1112054 | 194718 |
| NSP | 202 | 1112055 | 194719 |
| NSP | 203 | 1112056 | 194720 |
| NSP | 204 | 1112057 | 194721 |
| NSP | 205 | 1112058 | 194722 |
| NSP | 206 | 1112059 | 194723 |
| NSP | 207 | 1112060 | 194724 |
| NSP | 208 | 1112061 | 194725 |
| NSP | 209 | 1112062 | 194726 |
| NSP | 210 | 1112063 | 194727 |
| NSP | 211 | 1112064 | 194728 |
| NSP | 212 | 1112065 | 194729 |
| NSP | 213 | 1112066 | 194730 |
| NSP | 214 | 1112067 | 194731 |
| NSP | 215 | 1112068 | 194732 |
| NSP | 216 | 1112069 | 194733 |
| NSP | 217 | 1112070 | 194734 |
| NSP | 218 | 1112071 | 194735 |
| NSP | 219 | 1112072 | 194736 |
| NSP | 220 | 1112073 | 194737 |
| NSP | 221 | 1112074 | 194738 |
| NSP | 222 | 1112075 | 194739 |
| NSP | 223 | 1112076 | 194740 |
| NSP | 232 | 1112077 | 194741 |
| NSP | 234 | 1112078 | 194742 |
| NSP | 235 | 1112079 | 194743 |
| NSP | 236 | 1112080 | 194744 |
| NSP | 237 | 1112081 | 194745 |
| NSP | 238 | 1112082 | 194746 |
| NSP | 239 | 1112083 | 194747 |
| NSP | 240 | 1112084 | 194748 |
| NSP | 241 | 1112085 | 194749 |
| NSP | 242 | 1112086 | 194750 |
| NSP | 243 | 1112087 | 194751 |
| NSP | 244 | 1112088 | 194752 |
| NSP | 245 | 1112089 | 194753 |
| NSP | 246 | 1112090 | 194754 |
| NSP | 247 | 1112091 | 194755 |
| NSP | 248 | 1112092 | 194756 |
| NSP | 300 | 1112093 | 194700 |

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|-----|-----|---------|--------|
| NSP | 301 | 1112094 | 194701 |
| NSP | 302 | 1112095 | 194702 |
| NSP | 303 | 1112096 | 194703 |
| NSP | 304 | 1112097 | 194704 |
| NSP | 305 | 1112098 | 194705 |
| NSP | 306 | 1112099 | 194706 |
| NSP | 308 | 1112101 | 194708 |
| NSP | 309 | 1112102 | 194709 |
| NSP | 310 | 1112103 | 194710 |
| NSP | 311 | 1112104 | 194711 |
| NSP | 312 | 1112105 | 194712 |
| NSP | 313 | 1112106 | 194713 |
| NSP | 314 | 1112107 | 194714 |
| NSP | 315 | 1112108 | 194715 |
| NSP | 400 | 1112549 | 194758 |
| NSP | 401 | 1112550 | 194759 |
| NSP | 402 | 1112551 | 194760 |
| NSP | 403 | 1112552 | 194761 |
| NSP | 404 | 1112553 | 194762 |
| NSP | 405 | 1112554 | 194763 |
| NSP | 406 | 1112555 | 194764 |
| NSP | 407 | 1112556 | 194765 |
| NSP | 408 | 1112557 | 194766 |
| NSP | 409 | 1112558 | 194767 |
| NSP | 410 | 1112559 | 194768 |
| NSP | 411 | 1112560 | 194769 |
| NSP | 412 | 1112561 | 194770 |
| NSP | 413 | 1112562 | 194771 |
| NSP | 414 | 1112563 | 194772 |
| NSP | 415 | 1112564 | 194773 |
| NSP | 416 | 1112565 | 194774 |
| NSP | 417 | 1112566 | 194775 |
| NSP | 418 | 1112567 | 194776 |
| NSP | 419 | 1112568 | 194777 |
| NSP | 420 | 1112569 | 194778 |
| NSP | 421 | 1112570 | 194779 |
| NSP | 422 | 1112571 | 194780 |
| NSP | 423 | 1112572 | 194781 |
| NSP | 424 | 1112573 | 194782 |
| NSP | 425 | 1112574 | 194783 |
| NSP | 426 | 1112575 | 194784 |
| NSP | 427 | 1112576 | 194785 |
| NSP | 428 | 1112577 | 194786 |
| NSP | 429 | 1112578 | 194787 |

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|-----|-----|---------|--------|
| NSP | 430 | 1112579 | 194788 |
| NSP | 431 | 1112580 | 194789 |
| NSP | 432 | 1112581 | 194790 |
| NSP | 433 | 1112582 | 194791 |
| NSP | 434 | 1112583 | 194792 |
| NSP | 435 | 1112584 | 194707 |
| NSP | 436 | 1112585 | 194794 |
| NSP | 437 | 1112586 | 194795 |
| NSP | 438 | 1112587 | 194796 |
| NSP | 439 | 1112588 | 194797 |
| NSP | 440 | 1112589 | 194798 |
| NSP | 441 | 1112590 | 194799 |
| NSP | 442 | 1112591 | 194800 |
| NSP | 443 | 1112592 | 194801 |
| NSP | 444 | 1112593 | 194802 |
| NSP | 445 | 1112594 | 194803 |
| NSP | 446 | 1112595 | 194804 |
| NSP | 447 | 1112596 | 194805 |
| NSP | 448 | 1112597 | 194806 |
| NSP | 449 | 1112598 | 194807 |
| NSP | 450 | 1112599 | 194808 |
| NSP | 451 | 1112600 | 194809 |
| NSP | 452 | 1112601 | 194810 |
| NSP | 453 | 1112602 | 194811 |
| NSP | 454 | 1112603 | 194812 |
| NSP | 455 | 1112604 | 194813 |
| NSP | 456 | 1112605 | 194671 |
| NSP | 457 | 1112606 | 194672 |
| NSP | 458 | 1112607 | 194673 |
| NSP | 459 | 1112608 | 194674 |
| NSP | 460 | 1112609 | 194675 |
| NSP | 461 | 1112610 | 194676 |
| NSP | 462 | 1112611 | 194677 |
| NSP | 463 | 1112612 | 194678 |
| NSP | 464 | 1112613 | 194679 |
| NSP | 465 | 1112614 | 194680 |
| NSP | 466 | 1112615 | 194681 |
| NSP | 467 | 1112616 | 194682 |
| NSP | 468 | 1112617 | 194683 |
| NSP | 469 | 1112618 | 194684 |
| NSP | 470 | 1112619 | 194685 |
| NSP | 471 | 1112620 | 194686 |
| NSP | 472 | 1112621 | 194687 |
| NSP | 473 | 1112622 | 194688 |

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|-----|-----|---------|--------|
| NSP | 474 | 1112623 | 194689 |
| NSP | 475 | 1112624 | 194690 |
| NSP | 476 | 1112625 | 194691 |
| NSP | 477 | 1112626 | 194692 |
| NSP | 478 | 1112627 | 194693 |
| NSP | 479 | 1112628 | 194793 |
| NSP | 480 | 1112629 | 194695 |
| NSP | 481 | 1112630 | 194696 |
| NSP | 482 | 1112631 | 194697 |
| NSP | 483 | 1112632 | 194698 |

Schedule "C"

Description of Paymaster Claims

| Name | Claim Number | NMC Number | Esmeralda County Doc # |
|-------------|---------------------|-------------------|-------------------------------|
| PM | 1 | Pending | Pending |
| PM | 2 | Pending | Pending |
| PM | 3 | Pending | Pending |
| PM | 4 | Pending | Pending |
| PM | 5 | Pending | Pending |
| PM | 6 | Pending | Pending |
| PM | 7 | Pending | Pending |
| PM | 8 | Pending | Pending |
| PM | 9 | Pending | Pending |
| PM | 10 | Pending | Pending |
| PM | 11 | Pending | Pending |
| PM | 12 | Pending | Pending |
| PM | 13 | Pending | Pending |
| PM | 14 | Pending | Pending |
| PM | 15 | Pending | Pending |
| PM | 16 | Pending | Pending |
| PM | 17 | Pending | Pending |
| PM | 18 | Pending | Pending |
| PM | 19 | Pending | Pending |
| PM | 20 | Pending | Pending |
| PM | 21 | Pending | Pending |
| PM | 22 | Pending | Pending |
| PM | 23 | Pending | Pending |
| PM | 24 | Pending | Pending |
| PM | 25 | Pending | Pending |
| PM | 26 | Pending | Pending |
| PM | 27 | Pending | Pending |
| PM | 28 | Pending | Pending |
| PM | 29 | Pending | Pending |
| PM | 30 | Pending | Pending |
| PM | 31 | Pending | Pending |
| PM | 32 | Pending | Pending |
| PM | 33 | Pending | Pending |
| PM | 34 | Pending | Pending |
| PM | 35 | Pending | Pending |
| PM | 36 | Pending | Pending |
| PM | 37 | Pending | Pending |
| PM | 38 | Pending | Pending |
| PM | 39 | Pending | Pending |

| | | | |
|----|----|---------|---------|
| PM | 40 | Pending | Pending |
| PM | 41 | Pending | Pending |
| PM | 42 | Pending | Pending |
| PM | 43 | Pending | Pending |
| PM | 44 | Pending | Pending |
| PM | 45 | Pending | Pending |
| PM | 46 | Pending | Pending |
| PM | 47 | Pending | Pending |

Schedule "D"

Gross Value Returns Royalty

The following definitions and description of the rights and obligations relate to the granting and payment of the Royalty reserved unto the Optionor pursuant to section 2.2(f) of that certain Option Agreement dated November 4, 2015, to which this Schedule "D" is attached. As used herein, the Optionee is designated as the Payor and the Optionor is designated as the Payee. These provisions shall be incorporated into a royalty deed to be delivered to the Optionor upon closing.

1. Grant of Royalty

The Payor hereby conveys to the Payee a royalty interest (the "**Royalty**") on any and all Minerals Produced or Extracted from the Property in an amount of two and one-half percent (2½%) of the Gross Value of Minerals actually produced and sold from the Property. The Royalty granted herein shall run with the lands included within the Property. The Royalty obligations shall continue in perpetuity but if any right, power or interest of either party set out herein would violate the "rule against perpetuities," then such right, power or interest shall 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 the Option Agreement to which this Schedule "D" is attached.

2. Definitions

As used in the above grant, the capitalized terms are defined as follows:

- "Gross Value" shall be total consideration received by the Payor for Minerals actually delivered or credited to the account of a buyer of Minerals without any deduction of any kind or nature whatsoever.
- "Mineral(s)" shall mean lithium carbonate, lithium hydroxide and any other mineral, materials or other commodities of every kind and character having commercial value that are Produced or Extracted from the Property.
- "Produced or Extracted" shall mean the capture or preparation of any Mineral product that is capable of being sold or otherwise transferred for value as a commercial product.
- "Property" shall mean those certain unpatented placer mining claims described in Schedules "A", "B" and "C" attached to the Option Agreement and including any changes in title or improvement thereof and any improvements to title acquired by, for, or on behalf of the Payor or an affiliate of Payor with respect to the Property.

3. Buy Down

The Payor shall have the absolute right, in its sole and absolute discretion, to purchase one and one-half percent (1½%) of the Royalty, leaving the Payee with a one percent (1%) remaining Royalty, at any time upon payment to the Payee of Three Million U.S. Dollars (US\$3,000,000.00). Upon receipt of such payment the Payee shall execute and deliver to Payor a release of the portion of the Royalty so purchased.

4. Settlement of Royalties

a. Time of Payment. Payor shall pay to Payee any and all Royalty(ies) payable under Section 1 hereof within forty-five (45) days following the end of each quarterly period in which any Minerals are sold. Along with each payment, Payor shall include a written report detailing the calculation of the Royalty payment.

b. Interest on Past Due Payments. Any royalties not paid hereunder to Payee when due shall bear, and Payor shall pay, interest at the rate of eighteen percent (18%) per annum, but in any case not in excess of the maximum amount allowed by law, such interest to be calculated from such due date until such amount is paid.

5. Information, Objections and Audit Rights

a. Books and Records. All books and records used by the Payor to calculate the Royalty shall be kept in accordance with generally accepted accounting principles varied only by the specific provisions hereof. The Payor shall maintain up-to-date and complete records of the production and sale or other disposition of all Minerals Produced or Extracted and sold from the Property.

b. Objections. The Payee may object in writing to any statement or written report detailing the calculation of the Royalty payment within ninety (90) days of the receipt by the Payee of the relevant statement or ninety (90) days after the delivery of an audited report if such a report is commissioned.

c. Audit and Inspection Rights. Upon reasonable advance notice and during normal business hours, Payee and its representatives shall have the right, on a confidential basis and at their sole cost and expense, to review and audit Payor's books and records with respect to the determination and calculation of the Royalty. In addition, the Payee shall also have the right to audit Payor's records on an annual basis by an independent third party firm of certified public accountants. If an audit is undertaken, the Payee shall pay all costs of such audit unless a deficiency of 5% or more of the amount due is determined to exist. The Payor shall pay the costs of such audit if a deficiency of 5% or more of the amount due is determined to exist.

d. Inspection. Payee shall have the right to enter and inspect the Property at reasonable times, provided Payee coordinates with Payor's site personnel to ensure the personal safety of Payee and its representatives.

6. Miscellaneous

a. Non-Current Sales. If Payor enters into a contract for the delivery of Minerals for more than one year or the Payor elects to engage in any commodity futures trading, option trading, metals trading, metal loans or any other hedging transactions or any combination thereof, and if an international or domestic spot market exists for lithium carbonate, lithium hydroxide or any other lithium product that may be Produced or Extracted and sold from the Property, the Payee may elect, by notice to the Payor, establish the value of Minerals based on the market price on the date of delivery as quoted in *Platts Metals Week* or any successor publication generally recognized as a reliable source of metal values.

b. Stockpiling. The Payor shall be entitled to temporarily stockpile, store or place Minerals produced from the Property, in any locations owned, leased or otherwise controlled by the Payor, or a processor, or shipper or vendor of the Products, on or off the Property, provided the same are appropriately identified and secured from loss, theft, tampering and contamination.

c. Assignment by Payee. Payee, including its successors and assigns, have and shall have the right to transfer the whole or any portion of its interest in the Royalty at any time, provided that no

such transfer or assignment shall be valid unless Payee first notifies Payor in writing of its intent to make such transfer or assignment.

d. Notices. All notices, requests, consents, claims, demands, waivers and other communications hereunder shall be in writing and shall be deemed to have been given: (a) when delivered by hand; (b) when received by the addressee if sent by a nationally recognized overnight courier (receipt requested); (c) on the date sent by e-mail of a PDF document (with confirmation of transmission) if sent during normal business hours of the recipient, and on the next business day if sent after normal business hours of the recipient; or (d) on the fifth day after the date mailed, by certified or registered mail, return receipt requested, postage prepaid. Such communications must be sent to the respective parties at the following addresses:

Clayton Valley Lithium Inc.
3655 West Anthem Way, Suite 109-293
Anthem, AZ, USA 85086
Attention: Clive Ashworth, President

1045564 B.C. Ltd.
25th Floor, 700 West Georgia Street
Vancouver, BC., Canada V7Y 1B3
Attention: Brian Paes-Braga, President

e. Governing Law. This Schedule "D" shall be governed by and construed in accordance with the laws of the State of Nevada without giving effect to any choice or conflict of law provision or rule (whether of the State of Nevada or any other jurisdiction).