

## **NEW ULU PROPERTY OPTION AGREEMENT**

**THIS OPTION AGREEMENT** dated as of the 8<sup>th</sup> day of January 2018.

### **BETWEEN:**

#### **MANDALAY RESOURCES CORPORATION**

a company duly incorporated under the laws of the Province of British Columbia, Canada;

("Mandalay")

AND

#### **LUPIN MINES INCORPORATED**

a company duly incorporated under the laws of the Province of Ontario, Canada;

("Lupin" or the "Optionor")

AND

#### **WPC RESOURCES INC.**

a company duly incorporated under the laws of the Province of British Columbia, Canada;

("WPC" or the "Optionee")

### **WHEREAS:**

- A. Lupin is the 100% direct owner of the Ulu Property (defined below) and a wholly owned subsidiary of Mandalay;
- B. Mandalay and Lupin have agreed to grant the Optionee the sole, immediate, exclusive and irrevocable option to acquire up to a 100% undivided interest in the Ulu Property (defined below) (the "Option"), subject to the terms herein; and
- C. The Optionee has agreed to accept the grant of the Option, on and subject to the terms and conditions hereinafter set forth;

**NOW THEREFORE THIS AGREEMENT WITNESSETH** that for good and valuable consideration, the receipt and sufficiency of which are 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 including the attached Schedules and any and all amendments hereto and the expression "section" followed by a number means and refers to the specified section of this Agreement.

**"Affiliate"** means any person, partnership, joint venture, corporation or other form of enterprise which directly or indirectly Controls, is controlled by or is under common Control with a Party.

**"Agents"** means servants, employees, agents, workmen and contractors.

**"Consideration Shares"** means 15 million common shares in the capital of the Optionee, provided that if after the date of this Agreement and prior to the issuance of the Consideration Shares the Optionee completes any stock split, stock consolidation or combination, or any other capital reorganization affecting its common shares, the number and type of Consideration Shares to be issued to the Optionor shall be adjusted as necessary to account for such event.

**"Control"** means possession, directly or indirectly, of the power to direct or cause direction of management and policies through ownership of voting securities, contract, voting trust or otherwise.

**"Disclosure Documents"** means all documents and materials filed by the Optionee on SEDAR ([www.sedar.com](http://www.sedar.com)) since January 1, 2015.

**"Effective Date"** shall mean the day on which WPC receives Regulatory Approval.

**"Encumbrances"** means any and all mortgages, pledges, security interests, liens, charges, encumbrances, royalties, recorded and unrecorded, registered and unregistered as against the Ulu Property, and contractual obligations and claims of others which have been publicly registered or which have been notified in writing to the Optionor in connection with the Ulu Property and which are detailed in Schedule "B" hereof.

**"Hazardous Substance"** means any hazardous substance or pollutant, contaminant, toxic or dangerous waste, substance or material, as defined or regulated by any law, regulation or governmental authority applicable from time to time to the work of the Optionor on the Ulu Property.

**"Losses"** means actual losses, liabilities, damages, injuries, costs or expenses including without limitation, those arising from legal fees and other costs of litigation or administrative proceedings (either threatened or pending).

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

**"Optionee"** means WPC Resources Inc.

**"Optionor"** means Lupin.

**"Option Period"** means the period during which the Option on the Ulu Property is in full force and effect as provided herein.

**"Party"** means Mandalay, Lupin or WPC, and **"Parties"** shall mean all of Mandalay, Lupin and WPC.

**"Permitted Encumbrances"** means the Encumbrances identified on Schedule "B" as Permitted Encumbrances.

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

**"Regulatory Approval"** means the day on which the Optionee receives notice from the TSX Venture Exchange, that this Agreement has been accepted by the TSX Venture Exchange.

**"Termination Notice"** shall have the meaning set forth in Section 10.2.

**"Transfer"** when used as a verb, shall mean to sell, grant, assign, encumber, pledge or otherwise commit or dispose of, directly or indirectly, including through mergers, consolidations or asset purchases. When used as a noun, **"Transfer"** shall mean a sale, grant, assignment, pledge or disposal or the commitment to do any of the foregoing, directly or indirectly, including through mergers, consolidations or asset purchases.

**"Ulu Property"** means the mineral tenure described in Schedule "A" attached hereto and forming a part hereof, and any mineral tenure issued in replacement or substitution therefor.

**"Underlying Agreements"** means the agreements and any amendments thereof, as more particularly described In Schedule "B" attached hereto and forming a part hereof.

**"WPC"** shall mean WPC Resources Inc.

## **2. SCHEDULES, GENDER AND CANADIAN DOLLARS**

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

Schedule A Description of the Ulu Property

Schedule B List of Encumbrances & Underlying Agreements

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 as required 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 **Canadian Dollars.** All dollar amounts or "\$" referred to in this Agreement are in Canadian 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 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 not a 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 Schedules are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

### 3. COVENANTS, REPRESENTATIONS AND WARRANTIES

3.1 **Covenants, Representation and Warranties of the Parties.** Each Party covenants, represents and warrants to the other as follows and acknowledges that the other Parties are relying on such covenants, representations and warranties in entering into this Agreement and acknowledges and agrees that such covenants, representations and warranties shall be true and correct as of the Effective Date with the same force and effect as if made on and as of such date:

- (a) **Due Incorporation.** It is a company duly incorporated or amalgamated under the laws of the jurisdiction by which it is governed, 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.
- (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) **Corporate and Regulatory Approvals.** Other than the Regulatory Approval, it has duly obtained all requisite corporate and regulatory authorizations and approvals for the execution, delivery and performance of this Agreement and such execution, delivery and performance and the 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.
- (d) **Due Execution and Delivery.** This Agreement has been duly executed and delivered by it and is valid, binding and enforceable against it in accordance with its terms.
- (e) **No Acts of Bankruptcy.** It has not committed an act of bankruptcy, is not insolvent, has not proposed a compromising arrangement to its creditors generally, has not had any petition for a receiving order in bankruptcy filed against it, has not made a voluntary assignment in bankruptcy, has not taken any proceedings with respect to a compromise or arrangement, has not taken any proceeding to have itself declared bankrupt or wound-up, has not taken any

proceeding to have a receiver appointed of any part of its assets, has not had any encumbrancer take possession of any of its property and has not had any execution or distress become enforceable or become levied upon any of its property.

**3.2 Representations and Warranties of the Optionor.** Each of the Optionor and Mandalay jointly and severally represent and warrant to the Optionee as follows and acknowledges that the Optionee is relying on such representations and warranties in entering into this Agreement:

- (a) **Interest in the Property.** The Optionor is the owner of a 100% undivided interest in and to the Ulu Property, free and clear of any and all Encumbrances, except the Permitted Encumbrances.
- (b) **Adverse Interests.** There are no agreements, adverse interests or options to acquire or purchase the Ulu Property or any portion thereof other than in favour of WPC and no Person has any proprietary or possessory interest in the Ulu Property nor is any Person entitled to any royalty or other payment in the nature of rent or royalty in respect of the Ulu Property, save as described in Schedule "B" hereto.
- (c) **Compliance with Laws.** The Optionor has, to the knowledge of the Optionor, complied in all material respects with all laws, rules, assessment work and filing requirements with respect to the Ulu Property including without limitation, applicable environmental laws. The Optionor has not received notice of any breach, violation or default with respect to the Property and all applicable filings have been made and are current. All of the rights and titles relating to the Ulu Property have been validly recorded or are in the process of being recorded in accordance with the laws of the Territory of Nunavut and the federal laws of Canada, as applicable. To the knowledge of the Optionor and Mandalay, conditions on and relating to the Ulu Property are in material compliance with all laws, regulations and orders including without limitation, applicable environmental laws.
- (d) **Property in Good Standing.** The mineral tenures forming the Ulu Property is in good standing in accordance with the laws of the Territory of Nunavut and of the federal laws of Canada, as applicable, and no event, condition or occurrence exists that, after notice or lapse of time or both, would constitute a default under such mineral tenures.
- (e) **Hazardous Substances.** To the knowledge of the Optionor and Mandalay, no Hazardous Substance has been placed, held, located, used or disposed of, on, under or at the Property by the Optionor or its respective Agents in violation of applicable laws.
- (f) **Mining Practices.** The prospecting work, processes and other operations carried on or conducted by or on behalf of the Optionor in respect of the Ulu Property have been carried on or conducted in all material respects compliance with sound geological and geophysical exploration and mining, engineering and metallurgical practices prevailing in North America. All such work, processes and other

operations are in material compliance with all laws, by-laws, ordinances, permits, rules, regulations and orders or decisions rendered by any governmental or quasi-governmental ministry, department or administrative or regulatory agency.

- (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 and Mandalay, threatened against or involving the Ulu Property or which questions or challenges the validity of this Agreement, or any action taken or to be taken by the Optionor or Mandalay pursuant to this Agreement or any other agreement or instrument to be executed and delivered by the Optionor or Mandalay in connection with the transactions contemplated hereby and neither the Optionor nor Mandalay knows or has any reason to know of any valid basis for any such legal, administrative, arbitration or other proceeding, claim, action of any nature or investigation. Neither the Optionor nor Mandalay is subject to any judgement, order or decree entered in any lawsuit or proceeding which is or shall be unsatisfied on the Effective Date.
- (h) **Underlying Agreements.** The Underlying Agreements have been provided to the Optionee and neither the Optionor nor Mandalay has received notice of default of any of the terms or provisions of the Underlying Agreements under which the Optionor holds rights to the Ulu Property. The Optionor has the authority under the Underlying Agreements to perform its obligations fully under this Agreement. The Underlying Agreements are valid, in good standing and in full force and effect, all obligations thereunder have been timely and fully performed by the Optionor, all rental, royalty and other required payments have been timely and fully paid and neither the Optionor nor Mandalay has knowledge of any act or omission or any condition on the Ulu Property which could be considered or construed as a default under the Underlying Agreements. No event, condition or occurrence exists that, after notice or lapse of time or both, would constitute a default under the Underlying Agreements. The Optionor has performed all of the obligations required to be performed by it and is entitled to all benefits under and is not in default or alleged to be in default in respect of the Underlying Agreements. To the best knowledge of the Optionor, all required regulatory approvals with respect to the Underlying Agreements have been obtained by the Optionor.
- (i) **Taxes.** All taxes, contributions, duties, cannons, land or other fees and assessments imposed, levied or charged upon or against the Ulu Property has been filed or paid in full and are current.
- (j) **No Condemnation.** The Optionor has not received notice of the existence of condemnation, expropriation or similar proceedings affecting the Ulu Property.

**3.3 Covenants, Representations and Warranties of the Optionee.** The Optionee represents and warrants to Mandalay and the Optionor as follows and acknowledges that Mandalay and the Optionor are relying on such covenants, representations and warranties in entering into this Agreement:

- (a) **Share Capital.** The authorized share capital of the Optionee consists of an unlimited number of common shares, of which **98,900,304** common shares are issued and outstanding as of the date of this Agreement. Upon the exercise of all convertible securities of the Optionee that are issued and outstanding as of the date of this Agreement, **120,021,504** common shares of the Optionee would be issued and outstanding. All the issued and outstanding shares in the capital of the Optionee have been validly issued, are fully paid and were not issued subject to any pre-emptive rights. No person has any agreement or option or any right or privilege (written by law, pre-emptive or contractual) capable of becoming an agreement for the purchase, subscription or issuance of any of the unissued common shares of the Optionee, other than as disclosed in the Disclosure Documents. There are no shareholder agreements, voting trust accounts or other agreements restricting voting or dividend rights or transferability with respect to the common shares of the Optionee to which the Optionee is a party.
- (b) **Issuance and Approval.** The outstanding common shares of the Optionee are listed and posted for trading on the TSX Venture Exchange. Subject to receipt of conditional approval from the TSX Venture Exchange, upon issuance, the Consideration Shares will be listed on the TSX Venture Exchange and will be issued as fully paid and non-assessable.
- (c) **Reporting Issuer.** The Optionee is, and has been for the four months preceding the date of this Agreement a reporting issuer, not in default of the requirements of the Securities Act(s) of British Columbia, Alberta and Ontario or the rules of the TSX Venture Exchange. No order ceasing or suspended trading in any securities of the Optionee has been issued and no proceedings for such purpose are pending, or to the knowledge of the Optionee, threatened. The Optionee has not filed any confidential material change report with any securities regulatory authority that at the date hereof remains confidential.
- (d) **Disclosure Documents.** All of the information and statements contained in the Disclosure Documents at the respective dates of such information and statements and as amended by any subsequently filed Disclosure Document:
  - (i) are true and correct,
  - (ii) contain no misrepresentation,
  - (iii) constitute full, true and plain disclosure of all material facts relating to the Optionee and its securities, and
  - (iv) comply, in all material respects, with applicable securities Laws.
- (e) **Exemptions.** The issuance of the Consideration Shares by the Optionee will be exempt from the prospectus provisions of the Securities Act of British Columbia and such other securities Laws that are applicable to the Optionee (the "**Securities Laws**"). In addition, the first trade by the Optionor of any of the Consideration Shares will be exempt from the prospectus requirements of the securities laws of

British Columbia and no document will be required to be filed and no proceeding taken or approval, permit, consent, order or authorization obtained under such securities laws in connection with such first trade provided that:

- (i) the Optionee is and has been a reporting issuer in a jurisdiction of Canada for the four months immediately preceding the trade;
  - (ii) at least four months have elapsed from the Closing Date;
  - (iii) the certificate representing the shares carries a legend stating:

“Unless permitted under securities legislation, the holder of the security must not trade the security before **[insert the date that is 4 months and a day after the distribution date]**”
  - (iv) such trade is not a control distribution (as such term is defined in the National Instrument 45-102 *Resale of Securities*);
  - (v) no unusual effort is made to prepare the market or to create a demand for the securities that are the subject of the trade;
  - (vi) no extraordinary commission or consideration is paid to a person or company in respect of the trade; and
  - (vii) if the Optionor is an insider, the selling security holder has no reasonable grounds to believe that the Optionee is in default of securities legislation.
- (f) **Ulu Contractors.** The Optionee shall, as soon as reasonably practical following the date on which it completes a third-party financing transaction or otherwise has adequate financial resources to do so, pay all outstanding amounts owed to contractors retained by the Optionee to provide services relating to the Ulu Property.

#### 4. GRANT OF OPTION

4.1 **Grant.** In consideration of the covenants and agreements of the Optionee set forth herein, and the other terms and conditions of this Agreement, the Optionor grants to the Optionee an exclusive option to acquire up a 100% undivided interest in and to the Ulu Property, free and clear of all Encumbrances other than the Permitted Encumbrances. The Option shall commence on the Effective Date and shall terminate in accordance with the terms hereof.

#### 5. OPTION PAYMENTS

5.1 **Regulatory Approval.** This Agreement is subject to the receipt of Regulatory Approval. The Optionee covenants that it will, forthwith upon execution of this Agreement, apply for the Regulatory Approval. If the Optionee does not receive the Regulatory Approval within 90 days of the execution of this Agreement, this Agreement will terminate with no further obligation of any of the Parties except in respect of any breach of this Agreement prior to termination.

**5.2 Option Payments.** To maintain the Option on the Property the Optionee shall make the following non-refundable cash payments:

	<b>Cash Payments</b>
Within five business days of the receipt of Regulatory Approval	\$200,000
On or before May 31, 2018	\$200,000

## **6. EXERCISE OF OPTION**

**6.1 Option Exercise.** On the later of May 31, 2018 or the date on which each of the conditions set out in Section 7 have been satisfied, the Optionee shall be entitled to exercise the Option by delivering a written notice of exercise to the Optionor. If the Optionor has satisfied all of the conditions of Section 7.2 and written notice of exercise is not delivered to the Optionor on or before December 31, 2019, the Option and this Agreement shall automatically terminate unless an extension is mutually agreed to by the Parties acting in good faith, and neither Party shall have any further obligations to the other except in respect of any breach of this Agreement prior to termination.

## **7. CONDITIONS PRECEDENT TO COMPLETION**

**7.1 Conditions of the Optionor.** The obligation of the Optionor to complete the transfer of the Property to the Optionee (the "Closing") are subject to:

- (a) The Optionee shall have paid the Option Payments set out under Section 5.2 to the Optionor (or as the Optionor directs);
- (b) The Inuit and Northern Affairs Canada ("INAC") shall have released the security posted by the Optionor in respect of the Ulu Property and any water license in effect at the time of transfer of the Ulu Property (the "Water License"), or shall have advised the Optionor that upon posting of security by the Optionee acceptable to the INAC, they will release the security posted by the Optionor;
- (c) The TSX Venture Exchange shall have approved the issuance and listing of the Consideration Shares, subject only to customary conditions (which shall not include any Optionor shareholder approval requirements);
- (d) The Optionee shall have complied with all the covenants of the Optionee to be complied with on or prior to the Closing; and
- (e) The representations and warranties of the Optionee shall be true and correct on the date of Closing as if made on the date of Closing.

**7.2 Conditions of the Optionee.** The obligations of the Optionee to complete the transactions contemplated under this Agreement are subject to:

- (a) The Optionor shall be in compliance and current with all environmental requirements relating to the Water License;
- (b) The Optionor shall have completed the Interim Closure Plan or, to the extent applicable, the Final Closure Plan to the extent sufficient to (i) reduce the required security to be posted by the Optionee for the transfer of the Water License to an amount that is consistent with the operation of the Ulu Property as an exploration property or (ii) terminate the Water License;
- (c) The Optionor shall have attained necessary approvals from the Nunavut Water Board ("NWB" and Kitikmeot Inuit Association ("KIA") for the transfer of the Ulu Property to the Optionee;
- (d) The Optionor shall have complied with all of the covenants of the Optionor to be complied with on or prior to the Closing; and
- (e) The representations and warranties of the Optionor shall be true and correct on the date of Closing as if made on the date of Closing.

## **8. TRANSFER OF DATA AND PROPERTY**

**8.1 Closing.** The Closing will be completed by the Parties on the day that is 10 business days after the Optionee had validly delivered a written notice of exercise to the Optionee in accordance with Section 6.1 and all of the last of the Conditions Precedent set out in Section 7 have been satisfied or waived. At the Closing,

- (a) the Optionor shall
  - (i) deliver to the Optionee recordable conveyance documents and bills of sale transferring and conveying a 100% interest in the Ulu Property to the Optionee free and clear of all Encumbrances, other than the Permitted Encumbrances;
  - (ii) unless the Water License has been terminated before completion, assign (or cause to be assigned) to the Optionee, subject to the Optionee having posted security in accordance with the requirements of the INAC and NWB, the Water License; and
- (b) the Optionee shall deliver to the Optionor:
  - (i) the Consideration Shares; and
  - (ii) such documents or agreements as the Optionor may reasonably require evidencing that the Optionee has assumed all future reclamation and site monitoring expenses and liabilities associated with the Ulu Property in a manner reasonably satisfactory to Mandalay, the INAC and the NWB.

**8.2 Data.** At the Closing, the Optionor and Mandalay agree to deliver to the Optionee photocopies of all maps, reports, results of surveys and drilling and any other reports or

information the Optionor or Mandalay may have prepared or caused to be prepared or may have in their possession or under their control with respect to the Ulu Property, provided that it is understood that neither the Optionor nor Mandalay makes any representation or warranty with respect to the accuracy or completeness of any such information made available to the Optionee, who acknowledges that they rely upon such information at their sole risk.

**8.3 Disposal of Common Shares.** The Optionor agrees that in the event it wishes to dispose of more than 3% of the common shares of the Optionee within a ten (10) day period, it will provide notice of such to the Optionee and the Optionee shall have three (3) business days in which to place the stock in an orderly manner. If the Optionee is unable to do so at the end of that three-day period, the Optionor shall proceed to dispose of the common shares of the Optionee as it sees fit.

## **9. OPERATIONS ON THE PROPERTY**

**9.1 Exploration During the Option Period.** Until the earlier of the termination of this Agreement and Closing, subject to the prior approval of the KIA, NWB and Mandalay, the Optionee will be entitled to enter on the Ulu Property to conduct exploration work, including conducting one or more drill programs and removing samples from the Ulu Property for testing, at the expense of the Optionee. Mandalay and the Optionee shall negotiate a charge for the Optionee's use of the camp facilities during exploration on site. Neither Mandalay nor any of its affiliates and associates or any of their directors, officers, employees, financial, legal, accounting or other advisors, contractors or agents (collectively, "Representatives") shall have any liability to the Optionee or any of its Representatives for any personal injuries, including death, or for any damage to the Ulu Property arising from or in connection with site visits, site tours, exploration work or other activities that are undertaken by Optionee or its Representatives pursuant to this Section 9.1 (the "Covered Activities") unless that injury or damage is due to the gross negligence or willful misconduct of Mandalay or its Representatives. The Optionee shall indemnify and hold Mandalay, its affiliates and associates and their respective Representatives harmless against and damages, liabilities or losses that they or the Ulu Property suffer or incur as a result of any of the Covered Activities.

**9.2 Approval of Exploration Programs.** Mandalay has appointed a project coordinator for the Ulu Property. Mandalay agrees that it will make the project coordinator available to discuss the Ulu Property with the Optionee but the Optionee shall not employ or engage the project coordinator to provide services to the Optionee without Mandalay's written approval. The Optionee agrees that any work on the Ulu Property will be coordinated with the project coordinator and site camp opening, closing and maintenance will be performed by a contractor approved by Mandalay. Mandalay may at any time change the project coordinator on reasonable notice in writing to the Optionee.

**9.3 Maintenance of Property; Closure Plan.** During term of the Option period, Mandalay will: (i) conduct the management of the Ulu Property in the ordinary course in a manner consistent with past practice, (ii) maintain or reclaim the Ulu Property and other associated assets, and (iii) use commercially reasonable efforts to maintain, the Ulu Property, associated assets, and operations as an ongoing concern in accordance with past practice. Notwithstanding the foregoing, the Mandalay Group may, at Mandalay's sole discretion, undertake at any time any reclamation work or other activities on the Ulu Property that is contemplated or required by

the existing interim closure and reclamation plan in respect of the Ulu Property (the "Interim Closure Plan") or, following its approval by the KIA and NWB, a final closure and reclamation plan in respect of the Ulu Property (the "Final Closure Plan"). Mandalay will use its commercially reasonable efforts to keep the Optionee apprised of the status and timing of any such reclamation work or other activities.

**9.4 Underlying Agreements.** The Optionor covenants and agrees that it will, immediately upon receipt thereof or upon receipt by an Affiliate, provide to the Optionee any and all notices received by the Optionor or the Affiliate under the Underlying Agreements including, without limiting the generality of the foregoing, any and all notices of default under the Underlying Agreements.

**9.5 Standard of Care.** During the Option Period, each of the Optionee and Mandalay shall conduct all operations on the Ulu Property in a good, workmanlike and efficient manner, in accordance with (i) sound mining and other applicable industry standards and practices prevailing in Canada; (ii) all laws; and (iii) the terms and provisions of the Underlying Agreements and any and all leases, licences, permits and other contracts relating to the Ulu Property.

**9.6 Forwarding of Notices.** The Optionee and the Optionor shall each deliver promptly to the other any notices received from governmental entities or other third parties that affect title to or status of the Ulu Property.

**9.7 Prior Approval of any Press Releases.** Should either Party desire to issue press releases about the Ulu Property during the Option Period, the other Party shall have the right to review and approve the release before issuance, provided that Mandalay shall not require the Optionee's approval for any disclosure regarding the Ulu Property in any quarterly or annual earnings press release, financial statements, MD&A or annual information form that is generally consistent with public disclosure in respect of the Ulu Property that Mandalay has historically included in such documents..

## **10. TERMINATION OF OPTION**

**10.1 Termination of Option by the Optionee.** The Optionee shall have the right to terminate the Option and this Agreement at any time upon 60 days written notice to the Optionor.

**10.2 Termination of Option by the Optionor.** The Optionor shall have the right to terminate the Option and this Agreement on prior written notice (the "**Termination Notice**") to the Optionee, if (i) the Optionee shall fail to make any of the payments due to be made as contemplated by Section 5.2 or (ii) if the Optionee has breached any of its representations, warranties or covenants in this Agreement in any material respect and such breach remains unremedied 10 days after the Optionor delivers written notice thereof to the Optionee.

**10.3 Effect of Termination.** If the Option and this Agreement are terminated, no Party shall have any further obligations or liabilities under this Agreement except (i) in respect of any breach of this Agreement prior to termination and (ii) pursuant to Sections 9.1, 10.4, 10.5, 12 and 16, each of which shall survive termination of the Option and this Agreement.

**10.4 Delivery of Data.** Upon termination of the Option, the Optionee shall deliver to the Optionor all maps, reports, results of surveys and drilling and all other reports or information provided to the Optionee by the Optionor, as well all assay plans, diamond drill records, information, maps and other pertinent exploration reports produced by the Optionee and/or its Affiliates regarding the Ulu Property.

**10.5 Removal of Buildings.** Upon termination of the Option, all buildings, plant, equipment, machinery, tools, appliances and supplies which may have been brought upon the Ulu Property by or on behalf of the Optionee shall be removed by the Optionee at its own costs at any time not later than three months after termination (or, if the Optionee terminates pursuant to Section 10.1, the earlier to occur of (i) three months after the date on which the Optionee provided written notice of termination to the Optionor and (ii) May31, 2020) unless arrangements on terms satisfactory to the Optionor are made between the Optionor and the Optionee and if not so removed, such buildings, plant, equipment, machinery, tools, appliances and supplies shall become the property of the Optionor.

## **11. TRANSFER OF INTEREST**

**11.1 Transfer - Affiliates.** No Party shall be permitted to transfer its rights and obligations under this Agreement without the consent of the other, such consent not to be unreasonably withheld.

## **12. SURVIVAL/INDEMNITY**

**12.1 Survival.** All representations, warranties and covenants contained in this Agreement on the part of each of the Parties shall survive the execution and delivery of this Agreement for a period of one year from the Closing.

### **12.2 Indemnities/ Limitation of Liability.**

- (a) Mandalay and the Optionor, on the one hand, and the Optionee, on the other hand (the “**Indemnifying Party**”) shall indemnify Mandalay and the Optionor, on the one hand, or the Optionee, on the other hand, as applicable (the “**Indemnified Party**”) without duplication from and against any and all Losses incurred by the Indemnified Party as a result of a breach of any representation, warranty or covenant of the Indemnifying Party contained in this Agreement.
- (b) If any claim or demand is asserted against an Indemnified Party in respect of which such Indemnified Party may be entitled to indemnification under this section, written notice of such claim or demand shall promptly be given to the Indemnifying Party. The Indemnifying Party shall have the right, by notifying the Indemnified Party within 30 days after its receipt of the notice of the claim or demand, to assume the entire control of (subject to the right of the Indemnified Party to participate, at the Indemnified Party’s expense and with counsel of the Indemnified Party’s choice) the defence, compromise or settlement of the matter.

## **13. RELATIONSHIP AND OTHER OPPORTUNITIES**

**13.1 Relationship of Parties.** The rights, privileges, duties, obligations and liabilities, as

between the Parties, shall be separate and not joint or collective and nothing herein contained shall be construed as creating a partnership, an association, agency or subject as herein specifically provided, a trust of any kind or as imposing upon either of the Parties any partnership duty, obligation or liability. Neither Party is liable for the acts, covenants and agreements of the other Party. This Agreement shall not constitute formation of a mining partnership.

**13.2 Other Opportunities.** Each of the Parties shall have the free and unrestricted right independently to engage in and receive the full benefits of any and all business endeavours of any sort whatsoever whether or not competitive with the endeavours contemplated herein without consulting the other Party or inviting or allowing the other Party to participate therein. Neither Party shall be under any fiduciary or other duty to the other Party which shall prevent it from engaging in or enjoying the benefits of competing endeavours within the general scope of endeavours contemplated by this Agreement.

#### **14. ARBITRATION**

**14.1 Binding Arbitration.** The Parties agree that, except as otherwise specifically provided in this Agreement or expressly otherwise agreed to by the Parties, all disputes arising in connection with this Agreement shall be finally settled by binding arbitration in accordance with the provisions of the Commercial Arbitration Act of British Columbia. Such arbitration may be initiated by either Party by giving written notice to the other Party and, failing agreement by the Parties on a suitable arbitrator within 30 calendar days after receipt of such notice, the arbitrator shall be named as provided for in the Commercial Arbitration Act. The arbitrator so appointed shall sit at Vancouver, British Columbia, unless there is a unanimous agreement of the Parties otherwise, and the arbitrator shall herein dispose of such dispute in such manner as the arbitrator, in his or her discretion, shall determine, but in so doing he or she shall be required to receive the submissions of the Parties. The decision of the arbitrator shall be rendered in writing with all reasonable speed and shall be final and binding upon the Parties and shall not be subject to appeal.

**14.2 Costs of the Arbitration.** Unless the Parties agree otherwise, the arbitrator shall determine which portion of the costs and expenses incurred in any such proceeding shall be borne by each Party participating in such arbitration.

#### **15. NOTICE**

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

- (i) to the Optionee at:

WPC Resources Inc.  
1125 – 595 Howe Street  
Vancouver, BC V6C 2T5

Attention: Wayne Moorhouse, Chief Financial Officer  
Email: waynemoorhouse@shaw.ca

(ii) to the Optionor at:

Lupin Mines Incorporated  
c/o Mandalay Resources Corporation.  
Suite 3300, 76 Richmond Street  
Toronto, ON M5H 2S7

Attention: Belinda Labatte, Chief Development Officer  
Email: b.labatte@mandalayresources.com

or at such other addresses and to such other Person that may be given by either of them to the other in writing from time to time on 10 days' prior written notice and such notices, requests, demands or other communications shall be deemed to have been received when delivered or in the case of an email, when such email is received.

## **16. MISCELLANEOUS**

**16.1 Expenses.** Each Party to this Agreement shall pay its respective legal, accounting and other professional advisory fees, costs and expenses incurred in connection with the negotiation, preparation and execution of this Agreement and all documents and instruments executed or delivered pursuant to this Agreement, as well as any other fees, costs and expenses incurred, unless otherwise specifically set out in this Agreement.

**16.2 Severability.** If any term or provision of this Agreement is invalid, illegal or incapable of being enforced by any law or public policy, all other terms and provisions of this Agreement shall nevertheless remain in full force and effect. Upon determination that any term or other provision is invalid, illegal or unenforceable, the Parties shall negotiate in good faith to modify this Agreement so as to affect the original intent of the Parties as closely as possible in an acceptable manner in order that the transactions contemplated hereby are consummated as originally contemplated to the greatest extent possible.

**16.3 Governing Law.** This Agreement shall be governed by, and construed in accordance with, the laws of British Columbia and the federal laws of Canada where applicable, except with respect to the property rights which shall be governed by the laws of the Territory of Nunavut.

**16.4 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.

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

**16.6 Entire Agreement.** This Agreement constitutes the entire agreement between the Parties with respect to the subject matter hereof whether written or oral. For greater certainty, this Agreement supercedes and replaces, in its entirety, the letter agreement dated August 14, 2017

between Mandalay and the Optionee and notwithstanding anything to the contrary in such letter agreement neither Mandalay nor the Optionee shall have any further obligations thereunder. 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.

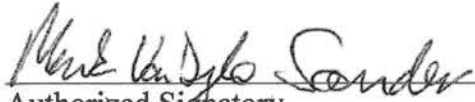
16.7 **Enurement.** This Agreement shall ensure to the benefit of and be binding upon the Parties and each of their successors, and permitted assigns, but no other Person.

16.8 **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.

16.9 **Time.** Time shall be of the essence of this Agreement.

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

**MANDALAY RESOURCES CORPORATION**

Per:   
Authorized Signatory

**LUPIN MINES INCORPORATED**

Per:   
Authorized Signatory

**WPC RESOURCES INC.**

Per:   
Authorized Signatory

**SCHEDULE A**

**THE ULU PROPERTY**

<b>PERMIT #</b>	<b>TYPE OF PERMIT</b>	<b>EFFECTIVE</b>	<b>EXPIRES</b>
ML 3563	Mining lease	1996-11-18	2038-11-18

## **SCHEDULE B**

### **Encumbrances and Underlying Agreements**

The Property is subject to a 5% net production proceeds royalty granted pursuant to a Purchase and Sale Agreement made and effective as of the 17th day of November, 1995 between BHP Minerals Canada Ltd. and Echo Bay Mines Ltd. (royalty obligation assumed by Bonito Capital Corp. pursuant to a Release and Assumption Agreement made as of the 8th day of July, 2011 between MMG Resources Inc., Bonito and International Royalty Corporation).