

Court File No. CU-18-601307-00CL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERICAL LIST**

**CRH FUNDING II PTE. LTD.**

Applicant

**-and-**

**SAGE GOLD INC.**

Respondent

**APPLICATION UNDER SECTION 243(1) OF THE *BANKRUPTCY AND INSOLVENCY ACT*, R.S.C. 1985, c.B-3, AS AMENDED AND SECTION 101 OF THE COURTS OF JUSTICE ACT, R.S.O. 1990, C. C.43, AS AMENDED**

**APPLICATION RECORD  
(Returnable on a date to be determined)**

**STIKEMAN ELLIOTT LLP**  
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5300 Commerce Court West  
199 Bay Street  
Toronto, Canada M5L 1B9

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Lawyers for the Applicant

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<b>TAB</b>	<b>DOCUMENT</b>
1	Notice of Application
2	Affidavit of Andrew Wehrley sworn July 10, 2018
A	Exhibit A – Copy of the Gold Purchase Agreement dated November 17, 2016
B	Exhibit B – Copy of the Investment Agreement dated November 17, 2016
C	Exhibit C – Copy of the Debenture dated November 17, 2016
D	Exhibit D – Copy of a statement of account prepared by CRH Funding II PTE. Ltd.
E	Exhibit E – Copy of Sage Gold Inc.’s Audited Financial Statements for the fifteen month period ended December 31, 2017
F	Exhibit F – Copy of Sage Gold Inc.’s Management’s Discussion and Analysis issued on June 14, 2018
G	Exhibit G – Copy of CRH Funding II PTE. Ltd.’s Notice of Default dated May 3, 2018
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I	Exhibit I – Copy of Sage Gold Inc.’s May 11, 2018 News Release
J	Exhibit J – Copy of Sage Gold Inc.’s email to CRH Funding II PTE. Ltd. dated June 25, 2018

K	Exhibit K – Copy of a Statement of Claim filed by Toromont Industries Ltd. against Sage Gold Inc. and CRH Funding II PTE. Ltd.
L	Exhibit L – Copy of the Notice of Intention to Enforce Security pursuant to Section 244 of the Bankruptcy and Insolvency Act, sent by CRH Funding II PTE. Ltd. to Sage Gold Inc. on June 25, 2018
3	Draft Receivership Order
4	Blackline of Draft Receivership Order against Model Receivership Order

Court File No *CN-18-601307-00CL*

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BETWEEN:

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THE COURTS OF JUSTICE ACT, R.S.O. 1990, C. C.43, AS AMENDED**

**NOTICE OF APPLICATION**

TO THE RESPONDENT:

A LEGAL PROCEEDING HAS BEEN COMMENCED by the applicant. The claim made by the applicant appears on the following page.

THIS APPLICATION will come on for a hearing at 330 University Ave., Toronto, Ontario, on a date to be determined.

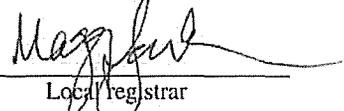
IF YOU WISH TO OPPOSE THIS APPLICATION, to receive notice of any step in the application or to be served with any documents in the application, you or an Ontario lawyer acting for you must forthwith prepare a notice of appearance in Form 38A prescribed by the *Rules of Civil Procedure*, serve it on the applicant's lawyer or, where the applicant does not have a lawyer, serve it on the applicant, and file it, with proof of service, in this court office, and you or your lawyer must appear at the hearing.

IF YOU WISH TO PRESENT AFFIDAVIT OR OTHER DOCUMENTARY EVIDENCE TO THE COURT OR TO EXAMINE OR CROSS-EXAMINE WITNESSES ON THE APPLICATION, you or your lawyer must, in addition to serving your notice of appearance, serve a copy of the evidence on the applicant's lawyer or, where the applicant does not have a lawyer, serve it on the applicant, and file it, with proof of service, in the court office where the application is to be heard as soon as possible, but at least four days before the hearing.

IF YOU FAIL TO APPEAR AT THE HEARING, JUDGMENT MAY BE GIVEN IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO OPPOSE THIS APPLICATION BUT ARE UNABLE TO PAY LEGAL FEES, LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE."

Date: July 10, 2018

Issued by

  
Local registrar

Address of court office 330 University Avenue  
7<sup>th</sup> Floor  
Toronto, ON M5S 1R7

TO: SERVICE LIST

SAGE GOLD INC.

67 YONGE ST., #808

TORONTO, ON.

M5E 1J8.

## APPLICATION

1. The Applicant, CRH Funding II PTE. Ltd. (“**CRH**”), makes application for an Order (the “**Receivership Order**”) substantially in the form attached to the Motion Record at TAB 3:

- (a) abridging the time for service of the Notice of Application and Application Record and declaring that this motion is properly returnable on a date to be determined and dispensing with further service thereof;
- (b) appointing Deloitte Restructuring Inc. (“**Deloitte**” or the “**Proposed Receiver**”) as receiver, over the assets, property and undertakings (the “**Property**”) of Sage Gold Inc. (“**Sage**”) pursuant to subsection 243(1) of the *Bankruptcy and Insolvency Act* (Canada), R.S.C. 1985, c. B-3, as amended (the “**BIA**”) and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C-43, as amended, (the “**CJA**”) and;
- (c) granting a charge over the Property in favour of the Receiver and the Receiver’s counsel to secure the payment of their respective fees and disbursements incurred in connection with these proceedings, on the terms set out in the draft Receivership Order (the “**Receiver’s Charge**”);
- (d) granting a charge over the Property in favour of CRH to secure the payment of the amounts which it is willing to advance to fund the fees and expenses of the Proposed Receiver (and its legal counsel) which are expected to be incurred in the context of the present receivership proceedings (the “**Receiver’s Borrowing Charge**”); and
- (e) such further and other relief as counsel may request and this Honourable Court may permit.

2. The grounds for the application are as follows:

- (a) Sage is a publicly traded company headquartered in Toronto, Ontario, with its common shares listed on the TSX Venture Exchange under the symbol “*SGX*”;
- (b) Sage is primarily engaged in the exploration for and development of gold in Ontario Canada, its main properties consisting in the Clavos property located

near Timmins (the “**Clavos Property**”) and the Onaman property northeast of Thunder Bay (the “**Onaman Property**”);

- (c) On November 17, 2016, CRH and Sage entered into a *Gold Prepayment Agreement* (the “**GPA**”) pursuant to which, *inter alia*, Sage agreed to sell to CRH, and CRH agreed to purchase from Sage, certain defined quantities of refined gold, which was to be delivered in accordance with the terms and conditions specified in the GPA;
- (d) As security for the payment and performance of its indebtedness, liabilities and obligations in connection with or pursuant to the GPA, Sage executed in favour of CRH amongst others, a Debenture in the amount of \$43,000,000 (the “**Debenture**”), charging all of Sage’s freehold interest and mining leases and claims in each of the Clavos Property and the Onaman Property, and all present and after-acquired property of Sage, subject to no prior encumbrances, except for those specifically permitted;
- (e) On or about May 3, 2018, CRH issued to Sage a *Notice of Default* (the “**Notice of Default**”), advising it of the occurrence of several events of default under the GPA (collectively, the “**Events of Default**”), including, *inter alia*, Sage’s failure to fulfil its gold delivery obligations to CRH, in accordance with terms and conditions set forth in the GPA, and demanding that Sage immediately deliver to it the specified amount of gold set out in the GPA by way of gold credits or such other form as contemplated by the GPA, and all other amounts of cash and gold owing by Sage to CRH;
- (f) On May 7, 2018, Sage sent to CRH a response to the Notice of Default, in which Sage recognized the occurrence of the Events of Default, and advised CRH that:
  - (i) Sage was not in a position to pay to CRH the current stream payments owed to it pursuant to the GPA, whether in gold or cash, as Sage was not generating positive cash flow in excess of what was required to simply maintain its mining operations at the Clavos Property;
  - (ii) Further defaults under the GPA were looming; and

- (iii) The start of commercial production at the Clavos Project would be delayed to an unspecified time in the future;
  
- (g) On May 11, 2018, Sage issued a news release whereby it disclosed to its stakeholders the fact that it had received the Notice of Default from CRH, and that, subject to any applicable cure periods, CRH, as secured lender, was in a position to terminate the GPA and enforce its security interests over the Clavos Property;
  
- (h) On June 25, 2018, Sage advised CRH by email (the “**June 25, 2018 Email**”) that, *inter alia*, given its limited liquidities:
  - (i) Sage was no longer in the financial position to continue the care and maintenance of the Clavos Property, absorb the costs of the ongoing burn rate (exceeding \$175,000 per month) and pay to its employees their unpaid wages for previous payrolls; and, therefore,
  
  - (ii) Absent additional and immediate funding, Sage would be forced to close the Clavos Property, and allow it to flood, with approximately \$400,000 worth of equipment (at liquidation value) left underground;
  
- (i) On June 25, 2018, following the reception of the June 25, 2018 Email, CRH issued to Sage a *Notice of Intention to Enforce Security* pursuant to section 244 of the *Bankruptcy and Insolvency Act* (the “**244 Notice**”);
  
- (j) As of the date of this Notice of Application, the total amount of indebtedness owed to CRH by Sage was \$38,782,223, on account of principal, plus interest accrued thereon and other fees payable pursuant to the GPA (the “**Indebtedness**”);
  
- (k) Given its current financial position, Sage is no longer able to operate either the Clavos Property or the Onoman Property, and absent any additional and immediate funding, Sage will have no other choice than to shut down the Clavos Property;

- (l) In light of the above, CRH is left with no other choice than to seek the appointment of Deloitte as receiver in order to realize on the Property of Sage, including the Clavos Property and the Onaman Property;
  - (m) If the relief sought is not granted, CRH is of the view that significant value may irrevocably be destroyed, and the safe and structured wind down of Sage's mining operations at the Clavos Property and the Onaman Property may not be achievable;
  - (n) Accordingly, CRH submits that the appointment of Deloitte as receiver on the terms sought is just and convenient and will (a) allow the maximization of the value of the Property, in the context of a stable and transparent court-supervised process, and (b) give any party potentially interested in purchasing the Property, or portion thereof, the benefit of an approval and vesting order for the conveyance of the Property;
  - (o) Deloitte is a licensed trustee in bankruptcy, and its key personnel have extensive experience in the mining sector. Deloitte is familiar with the operational and financial circumstances of Sage, such that it can achieve certain time and commercial efficiencies if appointed as receiver that another firm could not;
  - (p) CRH is prepared to fund the fees and expenses of the Proposed Receiver (and its legal counsel) which are expected to be incurred in the context of the present receivership proceedings, up to a maximum of \$1,000,000 by way of receivership certificates, provided such indebtedness is secured by a court-ordered Receiver's Borrowings Charge;
  - (q) The super-priority Receiver's Borrowings Charge and Receiver's Charge are fair and reasonable and consistent with the standard relief set out in the Commercial List Model Order with respect to the appointment of a Receiver;
3. In addition to the above, CRH will also rely on:
- (a) Subsection 243(1) of the BIA;
  - (b) Section 101 of the CJA;

- (c) Rules 1.04, 2.03, 3.02, 16.08 and 38 of the *Rules of Civil Procedure*, R.R.O. 1990, Reg. 194; and
  - (d) such further grounds as this Court may permit.
4. The following documentary evidence will be used at the hearing of the application:
- (a) The Affidavit of Andrew Wehrley sworn July 10, 2018;
  - (b) the consent of Deloitte to act as the Receiver; and
  - (c) such other material as is required and this Court may permit.

July 10, 2018

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Lawyers for the Applicant

CRH FUNDING II PTE. LTD.      SAGE GOLD INC.  
Applicant      and      Respondent

Court File No.: *CN-18-601307-00CL*

*ONTARIO*  
**SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

Proceeding commenced at Toronto

**NOTICE OF APPLICATION**

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Lawyers for the Applicant

ONTARIO  
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COMMERCIAL LIST

BETWEEN:

CRH FUNDING II PTE. LTD.

Applicant

- and -

SAGE GOLD INC.

Respondent

AFFIDAVIT OF ANDREW WEHRLEY  
(Sworn July 10, 2018)

I, Andrew Wehrley, of the City of New York, in the State of New York, MAKE OATH AND SAY:

1. I am a Director of Cartesian Royalty Holdings Pte. Ltd. ("**Cartesian**"), the sole shareholder of CRH Mezzanine PTE. Ltd. ("**CRH Mezzanine**"), which is, in turn, the sole shareholder the Applicant, CRH Funding II PTE. Ltd. ("**CRH**"), senior secured creditor of the Respondent, Sage Gold Inc. ("**Sage**").
2. Accordingly, I have knowledge of the matters deposed to in this affidavit. Where this affidavit is not based on my direct personal knowledge, I have stated the source of that information and believe such information to be true.
3. This affidavit is sworn in support of an application (the "**Application**") for an order (the "**Receivership Order**") providing for, *inter alia*, the appointment of Deloitte Restructuring Inc. ("**Deloitte**" or the "**Proposed Receiver**") as receiver over the assets, property and undertakings of Sage (the "**Property**") pursuant to subsection 243(1) of the *Bankruptcy and Insolvency Act* (Canada) (the "**BIA**") and section 101 of the *Courts of Justice Act*.

4. Unless otherwise indicated, all references to dollars or "\$" in this Affidavit shall be a reference to Canadian dollars.

I. **OVERVIEW**

5. CRH is a wholly-owned subsidiary of CRH Mezzanine, in turn a wholly-owned subsidiary of Cartesian, an affiliate of the Cartesian Capital Group, a global private equity firm with approximately US\$2.5 billion of assets under management.

6. On November 17, 2016, CRH and CRH Mezzanine, respectively, entered into the following agreements with Sage:

a) a *Gold Prepayment Agreement* (the "**GPA**") pursuant to which, *inter alia*, Sage agreed to sell to CRH, and CRH agreed to purchase from Sage, in consideration of a prepayment investment of \$9,650,000 payable in three (3) tranches, certain defined quantities of refined gold, which was to be delivered in accordance with the terms and conditions specified in the GPA. A copy of the GPA is attached hereto as **Exhibit "A"**; and

b) an *Investment Agreement* (the "**Investment Agreement**") pursuant to which, *inter alia*, CRH Mezzanine agreed to subscribe for and purchase from Sage a specified amounts of units and warrants, for an aggregate consideration of \$1,850,000. A copy of the Investment Agreement is attached hereto as **Exhibit "B"**.

7. As security for the payment and performance of its indebtedness, liabilities and obligations in connection with or pursuant to the GPA and the other agreements and documents executed or delivered in connection with the GPA, Sage executed in favour of CRH, amongst others, a *Debenture* in the amount of \$43,000,000 (the "**Debenture**"), charging all of Sage's all present and after-acquired property, including all of its freehold interest and mining leases and claims in each of the Clavos Property (as defined below) and the Onaman Property (as defined below). A copy of the Debenture is attached hereto as **Exhibit "C"**.

8. As further discussed below, several events of defaults have occurred under the GPA, resulting in Sage owing to CRH, as at June 25, 2018, an aggregate amount of up to \$38,782,223, based on CRH's calculations, on account of the net present value of

CRH's rights to acquire gold pursuant to the GPA (the "**Indebtedness**"). A copy of CRH's basis of calculation for its claim is attached hereto as **Exhibit "D"**.

9. I understand that Sage is an insolvent person within the meaning set forth in Section 2 of the BIA, as it is unable to meet its obligations as they generally become due, and the aggregate of its property is insufficient to enable the payment of all of its obligations, due and accruing due.

10. As further described below as well as in the Application, CRH, in its capacity as senior secured creditor of Sage, seeks to appoint Deloitte as receiver in order to realize on all of Sage's Property, including the Clavos Property and the Onaman Property, which are further described below. CRH is the principal and first ranking secured creditor of Sage.

## II. DESCRIPTION OF SAGE

### A. Background

11. Sage is a publicly traded company headquartered in Toronto, Ontario, with its common shares listed on the TSX Venture Exchange under the ticker symbol "SGX". As of the date of this Application, Sage is a reporting issuer under applicable securities legislation in the provinces of British Columbia, Alberta and Ontario.

12. Sage is primarily engaged in the exploration for and development of gold in Ontario Canada, its main properties consisting in the Clavos property located near Timmins (the "**Clavos Property**") and the Onaman property located northeast of Thunder Bay (the "**Onaman Property**").

13. Below is a description of the mining projects related to the Clavos Property and the Onaman Property (respectively, the "**Clavos Project**" and the "**Onaman Project**") based on Sage's public disclosures.

### B. The Clavos Project

14. The Clavos Property comprises 2,540 hectares in total area, and is located within the Timmins mining camp in German, Stock and Clergue townships. This

property is comprised of 69 patented and leased claims and 14 unpatented claims, all of which are 100% owned by Sage.

15. Sage's involvement with the Clavos Property first began in February 2010, when Sage entered into an option agreement with St. Andrew Goldfields Ltd. ("**St. Andrew**"), who was previously acted as the operator of the Clavos Property between 2006 to 2007, before ceasing its operations. The objective of the above-mentioned option agreement was to allow Sage to earn a 60% interest in the Clavos Project.

16. Upon completing its 60% earn-in in the Clavos Project, Sage entered into a joint venture with St. Andrew, and became the operator of the Clavos Property.

17. In January 2016, St. Andrew was acquired by Kirkland Lake Gold Ltd. ("**Kirkland Lake**"), who then owned a 40% interest in the Clavos Project.

18. On or about September 30, 2016, a binding term sheet was entered into between Cartesian and Sage, which provided for an \$11.5 million financing package to fund the development and restart of the Clavos Project (the "**CRH Transaction**"). This financing package comprised of:

- c) a \$9,650,000 gold prepayment investment by CRH, which was to be effected in three (3) tranches, in accordance with the terms of a *Gold Prepayment Agreement* (i.e. the GPA); and
- d) a \$1.85 million equity investment by CRH Mezzanine, which was to be effected in accordance with the terms of an *Investment Agreement* (i.e. the Investment Agreement).

19. The CRH Transaction was conditional upon, *inter alia*, the acquisition by Sage of Kirkland Lake's 40% interest in the Clavos Project and the full repayment of Sage's \$1.5 million debt facility with Waterton Global Value L.P. ("**Waterton**").

20. On November 17, 2016, the CRH Transaction closed, and each of the GPA, the Investment Agreement and the other agreements and documents contemplated thereby, including the Debenture, were executed by CRH (or CRH Mezzanine, as applicable) and Sage.

21. Concurrently, Sage repaid its \$1.5 million debt to Waterton, and acquired Kirkland Lake's 40% interest in the Clavos Project, resulting in Sage owning 100% of the Clavos Property.

22. It should be noted, however, that, as things currently stand, St. Andrew (and now Kirkland) and Franco-Nevada Corporation each retain, respectively, a 2% and 1% Net Smelter Return ("NSR") royalty on all minerals produced by the Clavos Property, and Jubilee Gold Exploration Ltd. holds a 2% NSR royalty on all gold produced at the Clavos Property.

### **C. The Onaman Project**

23. Located northeast of Thunder Bay, Ontario, the Onaman Property hosts several base and precious metal occurrences and significant mineralized zones in what may be a Mattabi-type submarine volcanogenic massive sulfide setting.

24. The Onaman Project comprises of the following:

- a) The "*Lynx Project*", which is a polymetallic copper, gold and silver project;
- b) The "*Headway Project*" located 200 meters stratigraphically above the Lynx Project, where, according to Sage, lead and gold mineralization has been historically documented; and
- c) Other mineralized zones where, again according to Sage, different combinations of base and precious metals (copper-lead-zinc and silver-gold) have been historically documented, in variable proportions.

25. On May 3, 2006, Sage signed an option agreement with two (2) arms' length individuals to earn a 100% interest in the Onaman Property.

26. Sage completed the earn-in by making a cash payment of \$86,100, issuing common shares valued at \$35,750 and completing work commitments totaling \$325,000.

27. As things currently stand, the vendors of the Onaman Property retain a 2% NSR royalty on base metals and a 3% NSR royalty on precious metals, both of which can be

reduced to 1% and 2%, respectively, in exchange for a payment by Sage of \$1,000,000. Today, Sage is required to make advanced royalty payments of \$25,000 per year.

III. SAGE'S FINANCIAL POSITION

28. Sage has been experiencing significant financial difficulties for some time.

29. On June 13, 2018, Sage issued its audited consolidated financial statements for the fifteen month period ended December 31, 2017 and year ended September 30, 2017 (the "**Audited Financial Statements**"), which Audited Financial Statements were approved by Sage's board of directors. A copy of the Audited Financial Statements is attached hereto as **Exhibit "E"**.

30. As appears from the Audited Financial Statements, as at December 31, 2017, the book value of its assets totaled \$3,911,244, in comparison with liabilities totaling \$21,431,405, resulting in a shareholders' deficiency of \$17,520,161.

31. Moreover, during the fifteen month period ended December 31, 2017, Sage has also generated a negative cash flow from its operations, reporting a net loss of \$21,562,565, with a negative working capital of \$7,351,031 as at that date.

32. In fact, due to its dire financial situation, Sage was required to book a write-down in its Audited Financial Statements against the carrying value of mine development and mineral property expenditures of \$12,275,416.

33. According to its auditors, UHY McGovern Hurley LLP, the above-mentioned conditions, combined with other factors further discussed in the Audited Financial Statements, indicate the existence of a "*material uncertainty that may cast significant doubt about [Sage]'s ability to continue as a going concern*".

34. In fact, according to these same auditors, due to its dire financial position, "[Sage] *will require significant additional financing within the next twelve months in order to meet its liabilities as they come due and fund its operations*".

35. On June 14, 2018, Sage issued its Management's Discussion and Analysis (the "**MD&A**") in which, *inter alia*, it provided a summary of its quarterly net losses since 2016:

Three months ended	Total revenue	Net Loss	Loss Per Share <sup>(1)</sup>
December 31, 2017	\$-	\$7,601,572	\$0.11
September 30, 2017	\$-	\$4,872,469	\$0.06
June 30, 2017	\$-	\$3,897,384	\$0.06
March 31, 2017	\$-	\$4,448,465	\$0.07
December 31, 2016	\$-	\$742,674	\$0.02
September 30, 2016	\$-	\$453,574	\$0.02
June 30, 2016	\$-	\$409,133	\$0.01
March 31, 2016	\$-	\$154,586	\$0.01

<sup>(1)</sup> Basic and diluted loss per share.

A copy of MD&A is attached hereto as **Exhibit "F"**.

36. In this MD&A, Sage also recognized the fact that it will require significant additional financing in the short term, while, at the same time, admitting that the decline in the price of its common share (which closed at \$0.01 with a market cap of \$1.1 million on June 28, 2018) "*significantly increased the risk that [Sage] will not be able to raise sufficient funds through financing initiatives to meet its financial obligations*".

#### **IV. ENVIRONMENTAL CONDITION OF THE CLAVOS PROPERTY**

37. Based on the MD&A, CRH understands that in 2017, Sage was issued a \$30,000 penalty by the Ministry of the Environment for the failure to have a compliant Spill Prevention and Contingency Plan at the Clavos Property as at July 31, 2017. Although Sage has communicated that this deficiency has been rectified, the penalty which was accrued in its December 31, 2017 financial statements and was due by May 31, 2018 remains unpaid.

38. Moreover, Sage has also communicated that it has submitted a closure plan to the appropriate governmental agencies which estimates the nature, extent and costs of reclamation for its operations at the Clavos Property. As at December 31, 2017, Sage recorded a decommissioning liability of \$311,948 with respect to the Clavos Property and placed a deposit of \$310,157 with the environmental regulatory agencies in respect of its reclamation obligation at the Clavos Property.

#### **V. SAGE'S DEFAULTS UNDER THE GPA & THE DEBENTURE**

39. Pursuant to the GPA, in consideration for a \$9.65 million gold prepayment investment to be made by CRH, Sage committed to deliver to CRH 15% of the gold produced at the Clavos Property, over a 72-months initial period, with a minimum of 16,100 ounces of refined gold, but up to a maximum of 26,000 ounces of refined gold (the "**Maximum Delivery Obligation**"), starting after the commercial production has been achieved, but in any event no later than December 27, 2017. For ease of reference, pursuant to the GPA, the terms "*Commercial Production*" means the production in two (2) consecutive months of a minimum of 1,200 ounces of refined gold per month.

40. The \$9.65 million gold prepayment investment by CRH was to be effected in three (3) tranches, as described below:

- a) a first tranche in the amount of \$4,390,000 was to be made by November 24, 2016, provided that the conditions set forth in Article 3.2 of the APA were met;
- b) a second tranche in the amount of \$2,000,000 was to be made by March 31, 2017, provided that the conditions set forth in Schedule "D" of the GPA were met, which conditions included, *inter alia*, the successful mine dewatering at the Clavos Property to the 75 meter level and the establishment of survey points by January 31, 2017; and
- c) a third tranche in the amount of \$3,260,000 was to be made by July 31, 2017, provided that the conditions set forth in Schedule "G" of the GPA were met, which conditions included, *inter alia*, the successful completion of the mine dewatering at the Clavos Property, the confirmation of mine

stability after initial mine rehabilitation work and the successful completion of sufficient definition drilling to support a production decision.

41. As at the date of this affidavit, all of the above three (3) tranches have been paid by CRH to Sage.

42. Despite such payment having been made, Sage has failed to meet its gold delivery obligations to CRH as set forth in the GPA (as at June 29, 2018, Sage owed Cartesian at least 167 ounces of gold), and has also failed to reach commercial production at the Clavos Property by May 17, 2018, as was provided in the GPA (the "**Commercial Production Deadline**"), thereby giving right to CRH to, *inter alia*:

- a) demand all cash amounts and deliveries of refined gold owing by Sage to CRH pursuant to the GPA;
- b) terminate the GPA and, without limitation, demand all losses suffered or incurred as a result of the events of default and termination, including, demanding the net present value of CRH's rights to acquire refined gold under the GPA, up to the Maximum Delivery Obligation;
- c) enforce its rights pursuant to all agreements and documents ancillary to the GPA, including the Debenture.

43. Despite the above, CRH has nonetheless tolerated Sage's defaults pursuant to the GPA, and has, over the past few months, introduced and explored with Sage various strategic alternatives, some of which involved the investment of additional capital by CRH. However, none of them have come to fruition.

44. On or about May 3, 2018, CRH issued to Sage a *Notice of Default* (the "**Notice of Default**"), formally advising it of the occurrence of several events of default under the GPA (collectively, the "**Events of Default**"), and demanding that Sage immediately deliver to it the specified amount of gold set out in the GPA by way of gold credits or such other form as contemplated by the GPA, and all other amounts of cash and gold owing by Sage to CRH, while reserving its rights pursuant to the GPA and related agreements and documents. A copy of the Notice of Default is attached hereto as **Exhibit "G"**.

45. On May 7, 2018, Sage sent to CRH a response to the Notice of Default ("**Sage's Response**"), in which Sage recognized the occurrence of the Events of Default, and advised CRH that:

- a) Sage was not in a position to pay to CRH the current stream payments owed to it pursuant to the GPA, whether in gold or cash, as Sage was not generating positive cash flow in excess of what was required to simply maintain its mining operations at the Clavos Property;
- b) Further defaults under the GPA were "*looming*"; and
- c) The start of commercial production at the Clavos Project, which was to begin by no later than May 17 2018 (i.e. the Commercial Production Deadline), would be delayed to an "*unspecified time in the future*".

A copy of Sage's Response is attached hereto as **Exhibit "H"**.

46. On May 11, 2018, Sage issued a news release (the "**May 11, 2018 News Release**") whereby it disclosed to its stakeholders the fact that it had received the Notice of Default from CRH, and that, subject to any applicable cure periods, CRH, as secured lender, was in a position to terminate the GPA and enforce its security interests over the Clavos Property (and its remaining Property). A copy of the May 11, 2018 News Release is attached hereto as **Exhibit "I"**.

47. On June 25, 2018, Sage advised CRH by email (the "**June 25, 2018 Email**") that, *inter alia*, given its limited liquidities:

- a) Sage was no longer in the financial position to continue the care and maintenance of the Clavos Property, absorb the costs of the ongoing burn rate (which, according to Sage, exceeded \$175,000 per month) and pay to its employees their unpaid wages for previous payrolls; and, therefore,
- b) Absent additional and immediate funding, Sage would be forced to close the Clavos Property, and allow it to flood, with approximately \$400,000 worth of equipment (at liquidation value) left underground.

A copy of the June 25, 2018 Email is attached hereto as **Exhibit "J"**.

48. In addition to the above, CRH was also recently advised that Sage has also apparently failed to make various payments to some of its equipment lessors and service providers, some of which would have registered construction liens against the assets of Sage, in an aggregate amount in excess of \$580,000, thereby constituting yet another default under the GPA and the Debenture. In fact, CRH was also advised that some of these construction lien holders have taken the position that their construction lien ranked in priority to CRH's security interest over the Property of Sage, which CRH contests.

49. On or about May 31, 2018, CRH was named as a defendant to a *Statement of Claim* (the "**Battlefield Statement of Claim**") filed by Toromont Industries Ltd., registered under the business name of Battlefield Equipment Rentals ("**Battlefield**"), in which Battlefield, a supplier of rental equipment and related services retained by Sage, claimed the following:

- a) A payment from Sage in the amount of \$238,321.42, apparently representing the amount owed by the latter for the lease of various equipment used at the Clavos Mine; and
- b) A declaration that its construction lien in the amount of \$88,683.12, which was registered against the Clavos Mine on March 29, 2018, has priority over CRH's security interest thereon, which CRH contests, and reserves its rights in connection with such claim.

A copy of the Battlefield Statement of Claim is attached hereto as **Exhibit "K"**.

50. In light of the above, CRH has lost confidence in Sage's management, including in its ability to implement any strategic or restructuring alternative, which would allow a repayment of the Indebtedness.

51. On June 25, 2018, CRH sent to Sage a *Notice of Intention to Enforce Security* pursuant to section 244 of the BIA (the "**244 Notice**"), with a view of appointing a receiver to Sage's Property, which Sage disclosed to its stakeholders by way of a press release issued on June 28, 2018. A copy of the 244 Notice is attached hereto as **Exhibit "L"**.

**VI. APPOINTMENT OF DELOITTE AS RECEIVER**

52. As previously mentioned, as at June 25, 2018, based on CRH's calculations, the total Indebtedness amounted to up to \$38,782,223, on account of principal, plus interest accrued thereon and other fees payable pursuant to the GPA, which Sage is clearly not able to repay at this stage.

53. Moreover, based on the book value of the Property, as reflected in its Audited Financial Statements, it appears that any proceeds resulting from its sale will not be sufficient to enable a payment in full of the Indebtedness.

54. As things currently stand, by Sage's own admissions, unless additional and immediate funding is obtained, will be forced to suspend its operations and shut down the Clavos Property, potentially with \$400,000 worth of equipment left underground.

55. In these circumstances, CRH is of the view that the appointment of Deloitte as receiver is appropriate in the circumstances.

56. First, such remedy is specifically provided in Section 8(b) of the Debenture, which provides that upon the occurrence and during the continuance of any event of default, CRH may, *inter alia*, appoint any person qualified under applicable laws to be a receiver of the Property or any part thereof, with the powers to, *inter alia*, take possession of the Property, carry on all or any part of Sage's business, to borrow money on the security of the Property, and to sell, lease or otherwise dispose of the whole or any part of the collateral.

57. Second, the appointment of Deloitte as a receiver will enable it to undertake all measures deemed appropriate in the circumstances in order to efficiently and safely put the Clavos Property in care and maintenance, while, at the same time, preserving its value (along with the remaining Property's value)..

58. If such relief is not granted, CRH is of the view that significant value may irrevocably be destroyed, and the safe and structured wind down and subsequent sale of Sage's mining operations at the Clavos Property and the Onaman Property may ultimately not be achievable.

59. It bears repeating that by Sage's own admissions in the June 25, 2018 Email:

- c) Sage is no longer in the financial position to continue the care and maintenance of the Clavos Property, absorb the costs of the ongoing burn rate (which, according to Sage, exceeds \$175,000 per month) and pay to its employees their unpaid wages for previous payrolls; and
- d) Absent additional and immediate funding, Sage will be forced to close the Clavos Property, and allow it to flood, with approximately \$400,000 worth of equipment (at liquidation value) left underground.

60. If Deloitte is appointed as receiver, it intends to undertake, within the first ten (10) days of its appointment, an assessment of the environmental condition of the Clavos Property and of the Onaman Property and the requirements for completing the process of placing these properties on care and maintenance, so as to be in a better position to determine the path going forward.

61. Deloitte is a well-respected firm with significant experience in court appointed officer roles. Moreover, in January of 2018, Mr. Philip Reynolds of Deloitte was engaged by CRH to perform a forensic cash flow analysis and prepare financial projection for Sage.

62. In this context, I understand that Mr. Reynolds and his team have come to familiarize themselves with the operational and financial circumstances of Sage over the past few months, all of which will ultimately result in efficiencies in a receivership proceeding.

63. Deloitte has consented to act as receiver in the context of these proceedings.

## **VII. FUNDING OF THE RECEIVERSHIP**

64. In order to preserve the value of Sage's Property, including the Clavos Property and the Onaman Property, it is important that all appropriate measures be taken in relation with the care and maintenance of the Clavos Project and the Onaman Project.

65. In light of Sage's dire financial situation previously described, CRH is not prepared to advance any additional amount to Sage in the present circumstances, especially in light of recent allegations made by some of the latter's creditors that their

construction liens registered over the Clavos Property could potentially rank senior to CRH's security interest thereon, which CRH contests.

66. However, should Deloitte be appointed as receiver, CRH would be prepared to advance the amounts required to pay Deloitte's fees and expenses that are to perform its powers and duties as receiver, up to an amount of \$1,000,000, provided, however, that such funding be secured by a super-priority court ordered charge in CRH's favour (the "**Receiver's Borrowing Charge**").

67. Notwithstanding the above, in order to secure the payment of the fees and expenses expected to be incurred by Deloitte (and its counsel), should it be appointed as receiver, Deloitte requires a super-priority charge (the "**Receiver's Charge**", together with the Receiver's Borrowing Charge, the "**Receivership Charges**") also be granted in favour of Deloitte.

68. It is proposed that the Receivership Charges rank ahead of any and all security interest which may have been registered over the Property, including CRH's security interest thereon.

**VIII. CONCLUSION**

69. This affidavit is made in support of CRH's Application for the appointment of Deloitte as receiver over the Property of Sage, together with the proposed ancillary and related relief as set out in the draft Receivership Order filed, and for no other or improper purpose.

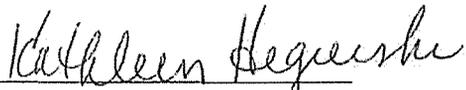
  
**ANDREW WEHRLEY**

State of New York        )

)        ss.:

County of New York    )

On this 10<sup>th</sup> day of July 2018 A.D. personally came before me, a Notary Public in and for said State duly commissioned and sworn, Andrew Wehrley known to me personally to be such persons who executed such instrument, and acknowledged to me that such instrument was in his own proper handwriting, and that his act of executing and delivering such instrument was duly authorized.

  
Kathleen Hegierski, Notary  
01HE6155794 (Qualified in New York County)

**KATHLEEN HEGIERSKI**  
**NOTARY PUBLIC-STATE OF NEW YORK**  
**No. 01HE6155794**  
**Qualified in New York County**  
**My Commission Expires November 20, 2018**

CRH FUNDING II PTE. LTD.      SAGE GOLD INC.  
Applicant      and      Respondent

Court File No.: CV-18-601307-  
OCL

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

Proceeding commenced at Toronto

**AFFIDAVIT OF ANDREW WEHRLEY  
(Sworn July 10, 2018)**

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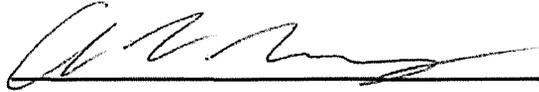
Lawyers for the Applicant

**EXHIBIT " A "**

*referred to in the Affidavit of*

**ANDREW WEHRLEY**

*Sworn July 10, 2018*

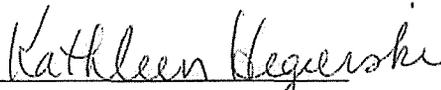


State of New York )

) ss.:

County of New York )

On this 10<sup>th</sup> day of July 2018 A.D. personally came before me, a Notary Public in and for said State duly commissioned and sworn, Andrew Wehrley known to me personally to be such persons who executed such instrument, and acknowledged to me that such instrument was in his own proper handwriting, and that his act of executing and delivering such instrument was duly authorized.



Kathleen Hegierski, Notary  
01HE6155794 (Qualified in New York County)

KATHLEEN HEGIERSKI  
NOTARY PUBLIC-STATE OF NEW YORK  
No. 01HE6155794  
Qualified in New York County  
My Commission Expires November 20, 2018

**GOLD PREPAYMENT AGREEMENT**

**CRH FUNDING II PTE. LTD.**

**- and -**

**SAGE GOLD INC.**

**November 17, 2016**

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**THIS GOLD PREPAYMENT AGREEMENT** dated as of the 17<sup>th</sup> day of November, 2016 (the “**Execution Date**”)

**BETWEEN:**

**CRH FUNDING II PTE. LTD.**, a corporation incorporated under the laws of Singapore  
(the “**Purchaser**”)

– and –

**SAGE GOLD INC.**, a corporation incorporated under the laws of the Province of Ontario  
(the “**Seller**”)

**WITNESSES THAT:**

**WHEREAS** the Seller has ownership interests in the Clavos Properties (as defined herein) and the Onaman Properties (as defined herein), all as more particularly described in the description and the map set out in Schedule “A” attached hereto;

**AND WHEREAS** the Seller is the owner of a 60% interest in Clavos (as defined herein), and in accordance with the joint venture agreement (the “**Joint Venture Agreement**”) between the Seller and St. Andrew Goldfields Ltd., a wholly-owned subsidiary of Kirkland Lake Gold Inc. (referred herein together as “**KLG**”) governing the relationship between such parties in the context of exploration and development of Clavos, and KLG is the owner of a 40% interest in Clavos;

**AND WHEREAS** as a condition to completion of the transactions contemplated herein, KLG has agreed to sell its 40% interest in Clavos to the Seller and terminate the Joint Venture Agreement, and upon completion thereof, the Seller will own a 100% interest in Clavos;

**AND WHEREAS** the Seller seeks financing in order to fund the restart and development of Clavos to bring Clavos to commercial production, and in such regard, the Purchaser has agreed to invest, or cause an Affiliate thereof to invest, up to a maximum of \$9.65 million in the Seller, subject at all times to the satisfaction of certain terms and conditions;

**AND WHEREAS** the Purchaser and the Seller have executed and delivered an investment agreement dated the date hereof (the “**Equity Subscription Agreement**”) whereby \$1.85 million will be invested by the Purchaser pursuant to an equity subscription (the “**Equity Subscription**”) for a combination of 10.7 million newly created units and 7.8 million special warrants (“**Warrants**”) of the Seller pursuant to the terms of the Equity Subscription Agreement;

**AND WHEREAS** in consideration of up to a maximum of \$9.65 million, and in compliance with the terms herein, of the financing to be provided by the Purchaser or an Affiliate thereof, the Seller has agreed to sell to the Purchaser and the Purchaser has agreed to purchase from the Seller, an amount of Refined Gold as determined in this Agreement, all subject to and in accordance with the terms and conditions of this Agreement;

**AND WHEREAS** the Seller has agreed to grant certain security to the Purchaser to, among other things, collateralize its obligations under this Agreement including the delivery and performance obligations set out herein, such security shall be granted pursuant to the Security Documents;

**AND WHEREAS** capitalized terms when used in these recitals shall have the respective meanings set out in Article 1;

**NOW THEREFORE** in consideration of the mutual covenants and agreements herein contained and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the Parties hereto, the Parties mutually agree as follows:

## **ARTICLE 1 INTERPRETATION**

### **1.1 Definitions**

In this Agreement, including in the recitals and schedules hereto:

“**Abandonment Property**” has the meaning set out in Section 7.3(e).

“**Additional Term**” has the meaning set out in Section 4.1.

“**Affiliate**” means, in relation to any Person, any other Person who is, directly or indirectly, through one or more intermediaries, controlling, controlled by or under common control with such first mentioned Person. For the purposes of this Agreement, including this definition and the definitions of “**Change of Control**” and “**subsidiary**”, “**control**” (including, with correlative meanings, the terms “**controlled by**” and “**under common control with**”), as applied to any Person, means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of that Person, whether through the ownership of voting securities, by contract or otherwise.

“**Agreement**” means this gold prepayment agreement and all attached Schedules, in each case as the same may be amended, restated, amended and restated, supplemented, modified or superseded from time to time in accordance with the terms hereof.

“**Applicable Laws**” means any international, federal, state, provincial, territorial, local or municipal law, regulation, ordinance, code, order or other requirement or rule of law or the rules, policies, orders or regulations of any Governmental Authority or stock exchange, including any judicial or administrative interpretation thereof, applicable to a Person or any of its properties, assets, business or operations.

“**Applicable Percentage**” has the meaning set out in Section 6.56.5(b) or 6.5(d), as the case may be.

“**Approvals**” means all authorizations, clearances, consents, orders and other approvals required to be obtained from any Person, including any Governmental Authority, in connection with the transactions contemplated by this Agreement.

“**Arbitrator**” has the meaning set out in Section 14.1.

“**Board**” means the board of directors of the Seller.

“**Board Designee**” has the meaning set out in Section 13.2(a).

“**Business Day**” means any day other than a Saturday or Sunday or a day that is a statutory holiday under the laws of any of the Province of Ontario or the State of New York.

“**Cash Notice**” has the meaning set out in Section 2.2(d).

“**Cash Revocation Notice**” has the meaning set out in Section 2.2(f).

“**Change of Control**” of a Person (the “**Subject Person**”) means the consummation of any transaction, including any consolidation, arrangement, amalgamation or merger or any issue, Transfer or acquisition of voting securities, the result of which is that any other Person or group of other Persons acting jointly or in concert for purposes of such transaction: (1) becomes the beneficial owner, directly or indirectly, of 50% or more of the voting securities of the Subject Person (other than if the Seller is the Subject Person, in which case, of 20% or more of its voting securities); or (2) acquires control, directly or indirectly, of the Subject Person, provided that a Change of Control shall not include any transaction that results in all of the common shares of the Subject Person continuing to be, directly or indirectly, beneficially owned by the Seller.

“**Clavos**” or “**Project**” means the Clavos Project Assets, as well as the mining, exploration and development operations conducted thereon.

“**Clavos Project Assets**” means the Clavos Properties and all other present and after-acquired real or personal property or other assets and rights (including water rights and surface rights) used or acquired for use by any Seller Group Entity in connection with Clavos and any mining, production, processing or extraction of minerals from the properties that comprise Clavos, including the mines, infrastructure, processing facilities and other facilities constructed and operated at or in respect of the Clavos Properties, but for clarity, does not include the Onaman Project Assets.

“**Clavos Properties**” means: (i) the area located about 46 kilometres northeast of Timmins, Ontario, and centred at 514000 E and 5384000 N in NAD83, Zone 10, presently consisting of 73 contiguous leased and/or patented claims, unpatented claims and mining leases covering 2,540 hectares, as further described in Schedule “A” herein; (ii) and any and all real property interests, mineral claims, mineral leases, and any related rights, concessions or interests, owned or in respect of which an interest is held in Clavos, directly or indirectly, by any Seller Group Entity and includes all buildings, structures, improvements, appurtenances and fixtures thereon or attached thereto, whether created privately or by the action of any Governmental Authority; and (iii) any term extension, renewal, replacement, conversion or substitution of any such real property interests, mineral claims, mineral leases, and any related rights, concessions or interests, owned or in respect of which an interest is held, directly or indirectly, by any Seller Group Entity at any time during the Term, whether or not such ownership or interest is held continuously. For clarity, the Clavos Properties do not include the Onaman Properties.

“**Collateral**” means the property, assets and undertaking that is subject to and charged by the Security Documents.

“**Commercial Production**” means the production in two consecutive months of a minimum of 1,200 ounces of Refined Gold per month.

“**Commingling Plan**” has the meaning set out in Section 6.3.

“**Confidential Information**” has the meaning set out in Section 6.6(a).

“**Date of Delivery**” has the meaning set out in Section 2.2(c) or Section 2.2(g), as the case may be.

“**Designated Jurisdiction**” means any of Ontario, Singapore, the United Kingdom and the United States.

“**Detailed Mine Plan**” means the mine plan detailed in the Tab “DJM” of the Excel spreadsheet titled “Table 01 - Production Cash Flow Forecast BobR Nov 07, 2016).xlsx” in its last version dated as of November 8, 2016, sent via email from David McDonald to Thomas Puppenthal on November 8, 2016 at 9:19 a.m., in form and substance satisfactory to the Purchaser.

“**Disclosure Record**” means all information circulars, prospectuses (including preliminary prospectuses), annual information forms, offering memoranda, financial statements, material change reports and news releases filed with the TSX Venture Exchange and all securities regulatory authorities in those jurisdictions in which the Seller is a reporting issuer on or during the 12 months preceding the Execution Date.

“**Dissolution**” means, in respect of any Person, the bankruptcy, insolvency, winding-up, administration or liquidation of that Person and any equivalent or analogous procedure.

“**Distribution**” means, with respect to any Person:

- (i) the retirement, redemption, retraction, purchase or other acquisition by such Person of any securities of such Person;
- (ii) the declaration or payment of any dividend, return of capital or other distribution (in cash, securities or other property or otherwise) of, on or in respect of, any securities of such Person; and
- (iii) any other payment or distribution (in cash, securities or other property, or otherwise) by such Person of, on or in respect of its securities.

“**Documents**” means this Agreement, the Equity Subscription Agreement, the Guarantees, the Security Documents and all other documents, certificates, and instruments executed or delivered by any Obligor to the Purchaser in connection with this Agreement, as may be amended, supplemented, restated, replaced, or otherwise modified from time to time, and “**Document**” means any one of them.

“**Encumbrances**” means any and all mortgages, charges, assignments, hypothecs, pledges, security interests, liens and other encumbrances of every nature and kind, whether contingent or absolute and any agreement, option or privilege capable of becoming any of the foregoing (whether consensual, arising by law or otherwise) that secures the payment of any Indebtedness or liability or the observance or performance of any obligation.

“**Equity Subscription**” has the meaning set out in the preambles.

“**Equity Subscription Agreement**” has the meaning set out in the preambles.

“**Establishment Fee**” has the meaning set out in Section 3.2(p).

**“Excluded Taxes”** means any additional Taxes imposed or collected by a jurisdiction: (i) by reason of the Purchaser (or any assignee of the Purchaser pursuant to Section 14.12, but with respect only to the interest of such assignee) being incorporated or resident in that jurisdiction, carrying on business in, or having a permanent establishment or a connection in that jurisdiction or participating in a transaction separate from this Agreement in that jurisdiction, in each case determined by application of the laws of that jurisdiction, other than by reason of acquiring Refined Gold under this Agreement, receiving payments or deliveries under this Agreement in that jurisdiction, making payments under this Agreement, or enforcing rights under this Agreement or any of the other Documents; or (ii) other than a Designated Jurisdiction solely by reason of the location of the metal account or bank accounts described in Section 2.2(c) being located in such jurisdiction.

**“Execution Date”** has the meaning set out on page 1 hereof.

**“Financing”** has the meaning set out in Section 13.1(a).

**“First Delivery Date”** means the Business Day which is the later of: (i) the first date on which Commercial Production has been achieved, and (ii) 12 months from the First Tranche Closing Date, but in all cases, not later than December 27, 2017.

**“First Tranche”** means a total of \$4,390,000, consisting of payment to Waterton for the repayment in full of the Waterton Credit Agreement, in an amount not to exceed \$2,440,000, and payment to the Seller of the balance of the First Tranche.

**“First Tranche Closing Date”** means November 24, 2016.

**“First Tranche Closing Date Conditions”** means those conditions set out in Section 3.2.

**“Force Majeure”** means any event or circumstance, or a combination of events and/or circumstances:

- (i) that directly causes or results in the prevention or delay of the Seller from performing the particular obligation in this Agreement;
- (ii) which is beyond the reasonable control of the Seller; and
- (iii) could not, or the effects of that event or circumstance could not, have been prevented or delayed, overcome or remedied by the Seller, acting reasonably;

and provided the event or circumstance meets the foregoing criteria, includes without limitation:

- (A) acts of war (whether war be declared or not); public disorders, insurrection, rebellion, revolution, terrorist acts, sabotage, riots or violent demonstrations;
- (B) civil disobedience, caused by indigenous peoples, environmental lobbyists, non-governmental organizations or local community groups or other persons;
- (C) injunctions imposed by any Governmental Authority except if caused by a breach of the law or a court resolution;

- (D) floods, earthquakes, hurricanes or other natural calamities or acts of God;
- (E) shortages in workforce or supplies, travel and access restrictions imposed by government or other third parties, or other delays caused by endemics, epidemics or pandemics;
- (F) any action or failure to act within a reasonable time without justifiable cause by any Governmental Authority, its employees or agents including the denial of or delay in granting any land tenure, concession, authorization, license, permit, lease, consent, approval or right which denial or delay will imply a material adverse effect on the construction or operation of the Project, upon due application and diligent effort by the Seller or a Seller Group Entity to obtain same, or the failure once granted to remain (without justifiable cause) in full force and effect or to be renewed on substantially similar terms; and
- (G) injunctions not caused by any breach of this Agreement by the Seller whether of the kind enumerated above or whether foreseen, foreseeable or otherwise unforeseeable;

and provided that "Force Majeure" does not include any legal or lawful labour strikes or mining accidents.

**"Gold Market Price"** means, with respect to any day, the afternoon per ounce gold fixing price in US dollars quoted by the London Bullion Market Association for Refined Gold on such day or, if such day is not a trading day, the immediately preceding trading day. If, for any reason, the London Bullion Market Association is no longer in operation or the price of Refined Gold is not confirmed, acknowledged by or quoted by the London Bullion Market Association, the Gold Market Price shall be determined by reference to the price of Refined Gold in the manner endorsed by the London Bullion Market Association and World Gold Council, failing which the Gold Market Price will be determined by reference to the price of Refined Gold on a commodity exchange mutually acceptable to the Parties, acting reasonably.

**"Governmental Authority"** means any international, federal, state, provincial, territorial, municipal or local government, agency, department, ministry, authority, board, tribunal, commission or official, including any such entity with power to tax, or exercise regulatory or administrative functions, or any court, arbitrator (public or private), stock exchange or securities commission.

**"Guarantee"** has the meaning set out in Section 2.6.

**"IFRS"** means international financial reporting standards in effect from time to time.

**"Indebtedness"** of any Person means, without duplication:

- (i) all obligations of such Person for borrowed money and all obligations of such Person evidenced by bonds, debentures, notes, bills or other similar instruments;
- (ii) all obligations, contingent or otherwise, relative to the face amount of all letters of credit, whether or not drawn, and banker's acceptances issued for such Person's account;

- (iii) all obligations of such Person under any lease that is required to be classified and accounted for as a capital or financed lease for financial accounting purposes or under any synthetic lease, tax retention, operating lease or other lease having substantially the same economic effect as a conditional sale, title retention agreement or similar arrangement;
- (iv) all obligations of such Person in respect of the deferred purchase price of property or services (excluding current accounts payable incurred in the ordinary course of business);
- (v) all indebtedness of another Person secured by (or for which the holder of such obligations has an existing right, contingent or otherwise, to be secured by) any Encumbrance, upon or in property owned by such Person, even if such Person has not assumed or become liable for the payment of such obligations or such obligations are limited in recourse;
- (vi) all obligations of such Person created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person (even if the rights and remedies of the seller or lender under such agreement in the event of default are limited to repossession or sale of such property);
- (vii) all guarantees, indemnities and other obligations (contingent or otherwise) of such Person in respect of Indebtedness of another Person; and
- (viii) all obligations of such Person to purchase, redeem, retire, defease or otherwise acquire for value any equity, ownership or profit interests in such Person within ten years from the date of issuance thereof.

**“Initial Program and Budget”** means the 12-month program and budget with respect to mining operations to be conducted at the Clavos Properties by the Seller or the Seller Group Entities for the period between the first month from the First Tranche Closing Date and the 12-month anniversary thereof, which, among other things, sets out the use of all capital provided in all Tranches, including the Purchase Price, and money from the Equity Subscription, as set out in the Excel spreadsheet titled “Table 03 - Ore Production Clavos (CAPEX Nov 8 2016) 1030-sent to Thomas V.5.xlsx” in its last version dated as of November 8, 2016, sent via email from David McDonald to Thomas Puppenthal on November 8, 2016 at 11:33 p.m.

**“Initial Term”** has the meaning set out in Section 4.1.

**“Insolvency Event”** means, in relation to any Person, any one or more of the following events or circumstances:

- (i) proceedings are commenced for the Dissolution of it, unless it in good faith actively and diligently contests such proceedings resulting in a dismissal or stay thereof within 30 days of the commencement of such proceedings;
- (ii) a decree or order of a court of competent jurisdiction is entered adjudging it to be bankrupt or insolvent (unless vacated), or a petition seeking reorganization, arrangement or adjustment of or in respect of it is approved under applicable laws relating to bankruptcy, insolvency or relief of debtors;

- (iii) it makes an assignment for the benefit of its creditors, or petitions or applies to any court or tribunal for the appointment of a receiver or trustee for itself or any substantial part of its assets or property, or commences for itself or acquiesces in or approves or has filed or commenced against it any proceeding under any Applicable Law relating to bankruptcy, insolvency, reorganization, arrangement or readjustment of debt or any proceeding for the appointment of a receiver or trustee for itself or any substantial part of its assets or property, or has a liquidator, administrator, receiver, trustee, conservator or similar Person appointed with respect to it or any substantial portion of its property or assets unless such proceeding, assignment or appointment is involuntary and dismissed, vacated or stayed within 30 days of commencement of such proceeding; or
- (iv) a resolution of its board of directors is passed for the receivership or winding-up or liquidation of it.

“**Joint Venture Agreement**” has the meaning set out in the recitals.

“**Kirkland Agreement**” means the joint venture interest purchase agreement between, *inter alia*, the Purchaser and KLG for, among other things, the acquisition of KLG’s 40% interest in the Project for no more than \$1,000,000 in cash and a 2% net smelter return on Clavos.

“**KLG**” means Kirkland Lake Gold Inc.

“**Lot**” means the applicable quantity of Minerals from the Project delivered to an Offtaker.

“**Material Adverse Effect**” means any event, occurrence, change or effect that, when taken individually or together with all other events, occurrences, changes or effects:

- (v) materially limits, restricts or impairs or is reasonably likely to materially limit, restrict or impair the ability of: (1) the Seller or any Seller Guarantors to perform their respective obligations under this Agreement or any other Document, as applicable; or (2) the Seller to operate the Project substantially in accordance with the Operating Plan in effect at the time of the occurrence of the event, occurrence, change or effect; or
- (vi) causes or is reasonably likely to cause any significant decrease to expected gold production from the Project based on the Operating Plan in effect at the time of the occurrence of the event, occurrence, change or effect.

“**Material Agreements**” means, collectively, this Agreement, the Security Documents, the Equity Subscription Agreement, the Toll-Processing Agreement, any Offtake Agreements, and any other agreement or contract, the breach, loss or termination of which could reasonably be expected to result in a Material Adverse Effect.

“**Maximum Delivery Obligation**” means 26,000 ounces of Refined Gold.

“**Minerals**” means any and all marketable metal bearing material in whatever form or state that is mined, produced, extracted or otherwise recovered from the Properties, and include any such material derived from any processing or reprocessing of any tailings, waste rock or other waste products originally derived from the Properties, and include ore and any other products resulting

from the further milling, processing or other beneficiation of Minerals, including concentrates or doré.

**“Minimum Delivery Obligation”** means 16,100 ounces of Refined Gold.

**“Monthly Report”** means a written report in relation to a calendar month with respect to the Project that contains, for such month:

- (i) types, tonnes and grades of mined Minerals from Clavos;
- (ii) types, tonnes and grades of stockpiled Minerals from Clavos;
- (iii) tonnes of Minerals processed by and resulting concentrates from the processing facilities related to the Project in total and similar information with respect to any other processing facilities;
- (iv) the number of ounces of gold contained in Minerals processed during such month, but not delivered to an Offtaker by the end of such month;
- (v) a summary of deliveries from Clavos made to Offtakers during such month showing, among other things, provisional Refined Gold and Produced Gold amounts and related Offtaker Settlements and any final settlement adjustments made during such month;
- (vi) copies of available Offtaker Settlement Sheets and other Offtaker statements, invoices or receipts, or if the sharing of such documents is restricted by applicable confidentiality restrictions or Applicable Laws, such other information that will allow the Purchaser to verify all aspects of the deliveries of Refined Gold and compliance with other provisions of this Agreement;
- (vii) the aggregate number of ounces of Refined Gold delivered to the Purchaser under this Agreement up to the end of such month;
- (viii) monthly progress reports that include statements of expenditures and comparisons of such expenditures to the Initial Program and Budget and to Subsequent Programs and Budgets;
- (ix) a detailed final report within 30 days after completion of the Initial Program and Budget and the Subsequent Programs and Budgets, which report shall include comparisons between actual and budgeted expenditures and comparisons between the objectives and results of the Initial Program and Budget and the Subsequent Programs and Budgets, as applicable;
- (x) actions taken pursuant to discussions with First Nations, well as actions pursuant to environmental operations including, any perceived related risks with respect to either of such matters; and
- (xi) such other information regarding the calculation of the amount of Refined Gold delivered to the Purchaser as the Purchaser may reasonably request.

**“MNDM”** means the Ministry of Northern Development and Mines.

**“Net Present Value of the Remaining Purchase”** means the net present value of the Purchaser’s rights to acquire Refined Gold under this Agreement up to the Maximum Delivery Obligation, calculated on the basis of the Operating Plan that exists as of the First Tranche Closing Date and reasonable assumptions regarding metal recoveries, discount rate, exchange rates and metal prices.

**“Net Proceeds”** means, with respect to the receipt of insurance proceeds, the aggregate amount received by the Seller Group Entities less the fees, costs and other out-of-pocket expenses (as evidenced by supporting documentation provided to the Purchaser) incurred or paid to a third party by any Seller Group Entity in connection with the claim giving rise to such proceeds, without deduction for any insurance premiums or similar payments.

**“New Owner”** has the meaning set out in Section 7.3(a)(iii).

**“New Seller Guarantors”** has the meaning set out in Section 7.3(a)(iv).

**“Obligor”** means, as applicable, the Seller and any Seller Group Entity.

**“Offtake Agreement”** means any agreement entered into by any Seller Group Entity with any Person (including spot sales): (i) for the sale of Minerals to such Person (other than an intra-company sale between Seller Group Entities that precedes the sale of Minerals to an arm’s length third party); or (ii) for the smelting, refining or other beneficiation of Minerals by such Person for the benefit of any Seller Group Entity, as may be amended, restated, amended and restated, supplemented, modified or superseded from time to time, and for greater certainty, shall include the Waterton Gold Supply Agreement.

**“Offtaker”** means any Person that enters into an Offtake Agreement with a Seller Group Entity, and as long as the Waterton Gold Supply Agreement is in effect and Waterton elects to exercise its right to purchase Refined Gold from the Seller, Waterton shall be considered the “Offtaker”.

**“Offtaker Settlement”** means: (i) with respect to Minerals from the Project purchased by an Offtaker from a Seller Group Entity, the receipt by a Seller Group Entity of payment, or other consideration from the Offtaker, whether provisional or final; and (ii) with respect to Minerals from the Project refined, smelted or otherwise beneficiated by an Offtaker on behalf of a Seller Group Entity, the receipt by the Seller Group Entity of Refined Gold or other materials or payments derived from or relating to Produced Gold in accordance with the applicable Offtake Agreement.

**“Offtaker Settlement Sheets”** means the final documents from the Offtaker (or if such final documents are not available in the case of a provisional payment, the relevant documents on which such provisional payment has been determined) or such other relevant documents, in each case evidencing at least the amount of Minerals, including Produced Gold in each Lot.

**“Onaman”** or **“Onaman Project”** means the Onaman Project Assets as well as the mining, exploration and development operations conducted thereon.

**“Onaman Project Assets”** means the Onaman Properties and all other present and after acquired real or personal property or other assets and rights (including water rights and surface rights) used or acquired for use by any Seller Group Entity in connection with Onaman and any mining, production, processing or extraction of minerals from the properties that comprise Onaman, including the mines, infrastructure, processing facilities and other facilities constructed and

operated at or in respect of the Onaman Properties, but for clarity, does not include the Clavos Project Assets.

**“Onaman Properties”** means: (i) the area located about 50 kilometres east from Beardmore-Geraldton Gold Camp, in the Thunder Bay Mining Division, Coughlan Lake area at 42 East 13/Southeast, consisting of seven claims and two leases, as further described in Schedule “A” herein, and any and all real property interests, mineral claims, mineral leases, and any related rights, concessions or interests, owned or in respect of which an interest is held therein, directly or indirectly, by any Seller Group Entity and includes all buildings, structures, improvements, appurtenances and fixtures thereon or attached thereto, whether created privately or by the action of any Governmental Authority; and (ii) any term extension, renewal, replacement, conversion or substitution of any such real property interests, mineral claims, mineral leases, and any related rights, concessions or interests, owned or in respect of which an interest is held, directly or indirectly, by any Seller Group Entity at any time during the Term, whether or not such ownership or interest is held continuously. For clarity, the Onaman Properties do not include the Clavos Properties.

**“Operating Plan”** means a life of mine operating plan for the Project as the same may be amended from time to time.

**“Option”** has the meaning set out in Section 13.1(c).

**“Option Notice”** has the meaning set out in Section 13.1(c).

**“Other Minerals”** means any and all marketable metal bearing material in whatever form or state (including ore) that is mined, produced, extracted or otherwise recovered from any location that is not within the Clavos Properties.

**“Parties”** means the parties to this Agreement.

**“Payable Gold”** means commencing as of the First Delivery Date, 15% of the Produced Gold contained in a Lot in respect of which Lot any Seller Group Entity receives an Offtaker Settlement.

**“Permits”** means all material licenses, permits, approvals (including environmental approvals) authorizations, rights (including surface and access rights), privileges, concessions or franchises necessary for the development and operation of the Project, including any contemplated by the Operating Plan.

**“Permitted Encumbrances”** means any Encumbrance in respect of the Clavos Project Assets or the Onaman Project Assets constituted by the following:

- (i) inchoate or statutory liens for taxes, assessments, royalties, rents or charges not at the time due or payable, or being contested in good faith through appropriate proceedings;
- (ii) any reservations, or exceptions contained in the original grants of land or by applicable statute or the terms of any lease;
- (iii) minor discrepancies in the legal description or acreage of or associated with the Properties, or any adjoining properties which would be disclosed in an up to date

survey, and any registered easements and registered restrictions or covenants that run with the land, in either case which do not materially detract from the value of, or materially impair the use of, the Properties, for the purpose of conducting and carrying out mining operations thereon;

- (iv) rights of way for or reservations or rights of others for, sewers, water lines, gas lines, electric lines, telegraph and telephone lines, and other similar utilities, or zoning by-laws, ordinances, surface access rights or other restrictions as to the use of the Properties, which do not in the aggregate materially detract from the use of the Properties, for the purpose of conducting and carrying out mining operations thereon;
- (v) liens or other rights granted by the Seller or a Seller Guarantor to secure performance of statutory obligations or regulatory requirements (including reclamation obligations);
- (vi) a right of title retention in connection with the acquisition by Seller or a Seller Guarantor of goods in the ordinary course of business;
- (vii) security deposits with any Governmental Authority and utilities in the ordinary course of business of the Seller or a Seller Guarantor;
- (viii) the Security Documents;
- (ix) liens granted by the Seller or a Seller Guarantor solely to secure Indebtedness permitted under clauses (a) and (b) in item 1.1(i) of the definition of Permitted Indebtedness;
- (x) liens imposed by law, such as carriers, warehousemen and mechanics' liens and other similar liens arising in the ordinary course of business associated with amounts not yet due and payable, provided that such liens are not registered against title to any assets of the Person and in respect of which adequate holdbacks are being maintained as required by Applicable Laws or such liens are being contested in good faith by appropriate proceedings and in respect of which there has been set aside a reserve (segregated to the extent required by IFRS) in an amount satisfactory to the Purchaser and provided further that such liens could not have a Material Adverse Effect<sup>[A1]</sup>;
- (xi) those encumbrances listed on Schedule "F";
- (xii) the Waterton Credit Agreement, which Encumbrances shall, for greater certainty, be discharged entirely on or prior to the First Tranche Closing Date, after which time, such Encumbrances shall no longer constitute "Permitted Encumbrances"; and
- (xiii) an Encumbrance created with the Purchaser's prior written consent.

**"Permitted Indebtedness"** means:

- (i) Indebtedness incurred by Seller or a Seller Guarantor constituting: (a) equipment financing that is secured only by the underlying equipment; (b) receivable

financing that is secured only by the underlying receivables; (c) trade creditors which are part of the normal course of business; and (d) unsecured Indebtedness solely for working capital purposes in connection with the Project and Onaman in an aggregate amount not to exceed \$50,000;

- (ii) Indebtedness incurred under this Agreement or any other Document;
- (iii) Indebtedness in respect of surety or completion bonds, standby letters of credit or letters of guarantee securing mine closure, asset retirement and environmental reclamation obligations of Seller or a Seller Guarantor to the extent required by Applicable Laws or Governmental Authority;
- (iv) the Yamana Loan;
- (v) Indebtedness incurred under the Waterton Credit Agreement until such time as the First Tranche is advanced in accordance with the terms herein, after which time, the Waterton Credit Agreement shall no longer constitute "Permitted Encumbrances";
- (vi) Indebtedness incurred under the credit card facility with Royal Bank of Canada in an aggregate amount not to exceed \$10,000; and
- (vii) Any other Indebtedness for which the Purchaser has provided prior written consent.

**"Person"** includes an individual, corporation, body corporate, limited or general partnership, joint stock company, limited liability corporation, joint venture, association, company, trust, bank, trust company, Governmental Authority or any other type of organization or entity, whether or not a legal entity.

**"Produced Gold"** means any and all gold in whatever form or state that is mined, produced, contained, extracted or otherwise recovered from the Clavos Properties, including any gold derived from any processing or reprocessing of any tailings (owned and retained by the Seller), waste rock or other waste products derived from the Clavos Properties, and including gold contained in any ore or other products resulting from the further milling, processing or other beneficiation of minerals mined, produced, extracted or otherwise recovered from the Clavos Properties, including concentrates and doré bars.

**"Project"** has the meaning set out in the definition of Clavos.

**"Project Assets"** means, collectively, the Clavos Project Assets and the Onaman Project Assets.

**"Project Net Present Value"** means the net present value of the Project based on: (i) the calculation methodology contained in the original Operating Plan; and (ii) the operating projections set forth in the then current Operating Plan.

**"Properties"** means, collectively, the Clavos Properties and the Onaman Properties.

**"Purchase Price"** means \$9,650,000.

**"Purchaser"** means CRH Funding II Pte. Ltd.

“**Purchaser Term Sheet**” has the meaning set out in Section 13.1(d).

“**Receiving Party**” has the meaning set out in Section 6.6(a).

“**Refined Gold**” means marketable metal bearing material in the form of gold bars or coins that is refined to standards meeting or exceeding 995 parts per 1,000 fine gold.

“**Restricted Person**” means any Person that:

- (i) is named, identified, described in or on or included in or on any of:
  - (1) the lists maintained by the Office of the Superintendent of Financial Institutions (Canada) with respect to terrorism financing, including the lists made under subsection 83.05(1) of the *Criminal Code*, under the *Regulations Implementing the United Nations Resolutions on the Suppression of Terrorism* and under the *United Nations Al-Qaida and Taliban Regulations*;
  - (2) the Denied Persons List, the Entity List or the Unverified List, compiled by the Bureau of Industry and Security, U.S. Department of Commerce;
  - (3) the List of Statutorily Debarred Parties compiled by the U.S. Department of State;
  - (4) the Specially Designated Nationals Blocked Persons List compiled by the U.S. Office of Foreign Assets Control;
  - (5) the annex to, or is otherwise subject to the provisions of, U.S. Executive Order No. 13324; or
  - (6) any other Applicable Law relating to anti-terrorism or anti-money laundering matters;
- (ii) is subject to trade restrictions under any Applicable Laws, including, but not limited to:
  - (1) the *United Nations Act* (Canada), the *Special Economic Measures Act* (Canada) and the *Freezing of Assets of Corrupt Foreign Officials Act* (Canada);
  - (2) the *International Emergency Economic Powers Act*, 50 U.S.C.; and
  - (3) the *Trading with the Enemy Act*, 50 U.S.C. App. 1.1 et seq.; or any other enabling legislation or executive order relating thereto, including the *Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001*, Title III of Pub. L. 107 56; or
- (iii) is a Person or entity who is an Affiliate of a Person or entity listed above.

“**Second Tranche**” means \$2,000,000.

**"Second Tranche Closing Date"** means five Business Days after the Purchaser has notified the Seller that it is satisfied that the conditions set out in Section 3.6 have been satisfied or will be satisfied on the Second Tranche Closing Date, which must occur after the Second Tranche Closing Date Conditions have been fulfilled to the satisfaction of the Purchaser, acting reasonably, provided that the Second Tranche Closing Date shall occur on or before the Second Tranche Closing Date Deadline. For clarity, Closing shall not occur on the Second Tranche Closing Date if the Second Tranche Closing Date Conditions have not been fulfilled to the satisfaction of the Purchaser, acting reasonably.

**"Second Tranche Closing Date Conditions"** means those conditions identified as such in Schedule "D".

**"Second Tranche Closing Date Deadline"** means March 31, 2017, or such other date as the Purchaser may agree upon.

**"Security"** means the charges and security interests granted in favour of the Purchaser pursuant to the Security Documents.

**"Security Documents"** means, collectively, the agreements, instruments and documents listed in Schedule "E" and any other agreements, documents, instruments, financing statements and writings now or hereafter existing relating to the Security Documents, or required pursuant to the terms herein, together with all amendments, modifications, renewals or extensions thereof.

**"Seller"** means Sage Gold Inc.

**"Seller Event of Default"** has the meaning set out in Section 10.1.

**"Seller Group Entity"** means the Seller and any Affiliate of the Seller, including any Seller Guarantors, from time to time.

**"Seller Guaranteed Obligations"** means all present and future debts, liabilities and obligations whatsoever of any Seller Guarantors to the Purchaser under or in connection with this Agreement or any other Document or any other Documents (as pertains to the obligations arising thereunder in connection with this Agreement), including the Seller's Obligations.

**"Seller Guarantors"** means any Person that is required, following the Execution Date, to become a guarantor of the Seller Guaranteed Obligations pursuant to this Agreement.

**"Seller's Obligations"** means all present and future debts, liabilities and other obligations whatsoever of the Seller to the Purchaser under or in connection with this Agreement or any other Documents (as pertains to the obligations arising thereunder in connection with this Agreement), including its obligations under Article 2 and to pay any amounts under this Agreement, including an award of the arbitrators.

**"Shares"** means, in the case of a body corporate, shares (voting or otherwise) in the body corporate, and in the case of any other Person, shares, partnership or member interests, or voting, equity, participating or other ownership interests in that Person, and includes any option or other right to acquire Shares and any security convertible into or exchangeable for Shares.

**"Share Transfer"** means a transfer of shares (including an issuance of Shares) not involving a Change of Control.

“**Stockpiling Activities**” has the meaning set out in Section 8.2.

“**Subsequent Program and Budget**” means each consecutive 12 month program and budget (excluding the Initial Program and Budget) with respect to mining operations to be conducted at the Clavos Properties by the Seller or the Seller Group Entities. Subsequent Programs and Budgets, among other things, shall set out the use of the unexpended remainder of the Purchase Price, advanced or unadvanced.

“**Subsidiary**” means, with respect to any Person, any other Person which is, directly or indirectly, controlled and wholly-owned by that Person.

“**Taxes**” means all taxes, surtaxes, duties, levies, imposts, tariffs, fees, assessments, reassessments, withholdings, dues and other charges of any nature, whether disputed or not, by a Governmental Authority, and instalments in respect thereof, including such amounts imposed or collected on the basis of: income; capital, real or personal property; payments, deliveries or transfers of property of any kind to residents or non-residents; purchases, consumption, sales, use, import, export of goods and services; mining; distributions; equity; together with penalties, fines, additions to tax and interest thereon; and “**Tax**” shall have a corresponding meaning.

“**Term**” has the meaning set out in Section 4.1.

“**Third Parties**” has the meaning set out in Section 6.6(a)(i).

“**Third Party Financing**” has the meaning set out in Section 13.1(f).

“**Third Party Offer**” has the meaning set out in Section 13.1(a).

“**Third Tranche**” means \$3,260,000.

“**Third Tranche Closing Date**” means five Business Days after the Purchaser has notified the Seller that it is satisfied that the conditions set out in Section 3.8 have been satisfied or will be satisfied on the Third Tranche Closing Date, which must occur after the Third Tranche Closing Date Conditions have been fulfilled to the satisfaction of the Purchaser, acting reasonably, provided that the Third Tranche Closing Date shall occur on or before the Third Tranche Closing Date Deadline. For clarity, Closing shall not occur on the Third Tranche Closing Date if the Third Tranche Closing Date Conditions have not been fulfilled to the satisfaction of the Purchaser, acting reasonably.

“**Third Tranche Closing Date Conditions**” means those conditions identified as such in Schedule “G”.

“**Third Tranche Closing Date Deadline**” means July 31, 2017, or such other date as the Purchaser may agree upon.

“**Time of Delivery**” has the meaning set out in Section 2.2(c) or Section 2.2(g), as the case may be.

“**Toll-Processing Agreement**” means an executed definitive agreement to which the Seller is a party, governing toll-processing at a market rate for full commercial production over the life of the Project, in form and substance satisfactory to the Purchaser.

“**Trading Activities**” has the meaning set out in Section 6.11.

“**Tranche**” means any of the First Tranche, the Second Tranche and the Third Tranche, and “**Tranches**” means each of the First Tranche, the Second Tranche and the Third Tranche.

“**Transfer**” means to, directly or indirectly, sell, transfer, assign, convey, dispose or otherwise grant a right, title or interest (including expropriation or other transfer required or imposed by law or any Governmental Authority), whether voluntary or involuntary.

“**Transferred Mining Leases**” means the mining leases set out in Exhibit II herein.

“**Units**” has the meaning set out in the preambles.

“**Warrants**” has the meaning set out in the preambles.

“**Waterton**” means Waterton Global Value L.P.

“**Waterton Credit Agreement**” means the senior secured credit agreement dated as of August 9, 2012, between the Seller and Waterton, as amended.

“**Waterton Gold Supply Agreement**” means the gold supply agreement between the Seller and Waterton dated as of August 9, 2012, as amended.

“**Yamana Loan**” means the \$ 968,648.38 principal amount unsecured loan (with accrued interest as at September 30, 2016 of \$213,399.44) owing by the Seller to Yamana Gold Inc. pursuant to the amended and restated promissory note dated February 5, 2016 between the Seller and Yamana Gold Inc.

## 1.2 Certain Rules of Interpretation

Except as may be otherwise specifically provided in this Agreement and unless the context otherwise requires:

- (a) The terms “Agreement”, “this Agreement”, “the Agreement”, “hereto”, “hereof”, “herein”, “hereby”, “hereunder” and similar expressions refer to this Agreement in its entirety and not to any particular provision hereof.
- (b) References to an “Article”, “Section” or “Schedule” followed by a number or letter refer to the specified Article or Section of or Schedule to this Agreement.
- (c) Headings of Articles and Sections are inserted for convenience of reference only and shall not affect the construction or interpretation of this Agreement.
- (d) Where the word “including” or “includes” is used in this Agreement, it means “including without limitation” or “includes without limitation”.
- (e) The language used in this Agreement is the language chosen by the Parties to express their mutual intent, and no rule of strict construction shall be applied against any Party.
- (f) Unless the context otherwise requires, words importing the singular include the plural and vice versa and words importing gender include all genders.

- (g) A reference to a statute includes all regulations made pursuant to and rules promulgated under such statute and, unless otherwise specified, any reference to a statute or regulation includes the provisions of any statute or regulation which amends, supplements or supersedes any such statute or any such regulation from time to time.
- (h) Time is of the essence in the performance of the Parties' respective obligations under this Agreement.
- (i) Unless specified otherwise, in this Agreement a period of days shall be deemed to begin on the first day after the event which began the period and to end at 5:00 p.m. (Toronto time) on the last day of the period. If, however, the last day of the period does not fall on a Business Day, the period shall terminate at 5:00 p.m. (Toronto time) on the next Business Day.
- (j) Unless specified otherwise in this Agreement, all statements or references to dollar amounts in this Agreement are to Canadian dollars.
- (k) The following Schedules are attached to and form part of this Agreement:
  - Schedule "A" - Description of Clavos Properties and Onaman Properties (with Map)
  - Schedule "B" - Seller Representations and Warranties
  - Schedule "C" - Purchaser Representations and Warranties
  - Schedule "D" - Second Tranche Closing Date Conditions
  - Schedule "E" - Security Documents
  - Schedule "F" - Permitted Encumbrances
  - Schedule "G" - Third Tranche Closing Date Conditions

## ARTICLE 2 PURCHASE AND SALE

### 2.1 Purchase and Sale of Refined Gold

- (a) Subject to and in accordance with the terms of this Agreement, during the Term, for no additional consideration over and above the Purchase Price, the Seller hereby sells to the Purchaser, and the Purchaser hereby purchases from the Seller: (i) in respect of each Lot, the amount of Refined Gold equal to Payable Gold; and (ii) such additional amounts of Refined Gold that the Seller chooses to deliver to the Purchaser, in both cases, free and clear of all Encumbrances and up to the aggregate maximum of the Maximum Delivery Obligation. Additionally, if the Seller has not delivered to the Purchaser the Minimum Delivery Obligation within 72 months after the date on which the Commercial Production is first achieved at the Clavos Properties, then the Seller shall continue to deliver the amount of Refined Gold equal to Payable Gold to the Purchaser until the Minimum Delivery Obligation has been fulfilled.
- (b) The amount of Produced Gold shall be measured by the amount of gold contained in the Minerals received by the Offtaker as determined by the Offtaker Settlement Sheets. Produced Gold shall not be reduced by, and the Purchaser shall not be responsible for,

any refining charges, treatment charges, penalties, insurance charges, transportation charges, settlement charges, financing charges or price participation charges, or other similar charges or deductions, regardless of whether such charges or deductions are expressed as a specific metal deduction, as any recovery rate or otherwise, in any case, pursuant to the terms of the applicable Offtake Agreement or otherwise.

- (c) The Seller's obligation to deliver Refined Gold under this Agreement shall be to deliver Refined Gold in a manner and in an amount determined in accordance with the terms of this Agreement. Without in any way limiting or lessening the delivery obligations of the Seller under this Agreement, the Parties acknowledge that the Seller shall not be obliged to, and it is not the intention of the Seller to, sell or deliver to the Purchaser the Refined Gold physically resulting from gold mined, produced, extracted or otherwise recovered from the Clavos Properties.

## **2.2 Delivery Obligations**

- (a) Subject to Section 2.2(b), within five Business Days after the date of each Offtaker Settlement on or following the First Delivery Date, the Seller shall deliver to the Purchaser (for no additional consideration over and above the Purchase Price) Refined Gold in an amount equal to at least Payable Gold in respect of the Lot to which such Offtaker Settlement relates.
- (b) If an Offtaker Settlement consists of a provisional payment that may be adjusted upon final settlement of a Lot, then:
  - (i) within five Business Days after the date of such provisional Offtaker Settlement, the Seller shall deliver to the Purchaser for its own use absolutely: Refined Gold in an amount equal to the Payable Gold in respect of such Lot for which the Seller received a provisional Offtaker Settlement (provided that, for this calculation of Refined Gold, the amount of gold in the Lot which the Offtaker uses in the calculation of its provisional payment shall be used to determine the amount of Produced Gold in the Lot) under the applicable Offtake Agreement, as supported by the documentation required pursuant to Section 2.3 and in the applicable Monthly Report; and
  - (ii) within five Business Days after the date of final settlement of the Lot with the Offtaker, the Seller shall deliver to the Purchaser for its own use absolutely: Refined Gold in an amount equal to the amount by which the actual Payable Gold exceeds the amount of Refined Gold previously delivered to the Purchaser in respect of such Lot pursuant to Section 2.2(b)(i), as supported by the documentation required pursuant to Section 2.3 and the applicable Monthly Report; provided, however, if the Refined Gold delivered pursuant to Section 2.2(b)(i) exceeds the actual Payable Gold, then the Seller shall be entitled to set off and deduct such excess amount of Refined Gold from the next required deliveries by the Seller under this Agreement until it has been fully offset against deliveries to the Purchaser of Refined Gold if any, pursuant to this Section 2.2(b).
- (c) Subject to the provisions of Section 2.2(d), the Seller shall deliver to the Purchaser all Refined Gold to be delivered under this Agreement by way of gold credits or physical allocation to the metal account or accounts at an international bullion and metals bank in a Designated Jurisdiction and designated by the Purchaser, both to be specified by the

Purchaser by electronic communication prior to the First Tranche Closing Date and thereafter, if there is any change to such information, at least 30 days in advance of any delivery of Refined Gold. If the Purchaser wishes to designate a metal account or accounts in a jurisdiction other than a Designated Jurisdiction, such designation will be subject to the prior written consent of the Seller, such consent not to be unreasonably withheld. The Purchaser hereby confirms that at the First Tranche Closing Date its metal account will be in a Designated Jurisdiction. Delivery of Refined Gold to the Purchaser shall be deemed to have been made at the time and on the date Refined Gold (or cash therefor) is credited or physically allocated to a designated metal account or bank account of the Purchaser (the “**Time of Delivery**” on the “**Date of Delivery**”).

- (d) The Purchaser shall have the right to elect that the Seller deliver cash to the Purchaser in lieu of Refined Gold to be delivered under this Agreement by providing written notice (the “**Cash Notice**”) to such effect to the Seller a minimum of three Business Days after the end of any month, provided that any such Cash Notice shall only take effect with respect to Lots that have been delivered to an Offtaker after the date of any such Cash Notice. For clarity, for any Lot that has been delivered to an Offtaker prior to the date of such Cash Notice, both provisional payments and final payments as contemplated by Section 2.2(b) shall continue to be made as and by way of the delivery of Refined Gold to the Purchaser’s metal account or accounts.
- (e) The Cash Notice shall contain the details of the bank account that has been established by the Purchaser for such purposes, which bank account shall be in a Designated Jurisdiction. Any change to the bank account particulars shall be provided by the Purchaser to the Seller at least 30 days in advance of any delivery of Refined Gold. If the Purchaser wishes to designate a bank account in a jurisdiction other than a Designated Jurisdiction, such designation will be subject to the prior written consent of the Seller, such consent not to be unreasonably withheld.
- (f) A Cash Notice shall continue to apply with respect to Refined Gold to be delivered under this Agreement, until the Cash Notice is revoked by the Purchaser. The Purchaser may revoke a Cash Notice by providing written notice to such effect to the Seller (the “**Cash Revocation Notice**”) a minimum of three Business Days after the end of any month, provided that such Cash Revocation Notice shall only take effect with respect to Lots that have been delivered to an Offtaker after the date of any such Cash Revocation Notice. For clarity, for any Lot that shall have been delivered to an Offtaker prior to the date of such Cash Revocation Notice, both provisional payments and final payments as contemplated by Section 2.2(b) shall continue to be made as and by way of the delivery of cash to the Purchaser’s bank account in lieu of Refined Gold.
- (g) If the Purchaser has forwarded a Cash Notice to the Seller, then, with respect to each applicable Lot for which an Offtaker Settlement has been received by the Seller, and, within five Business Days after the date of any provisional Offtaker Settlement or final settlement of the Lot with the Offtaker, as the case may be, the Seller shall deposit to the Purchaser’s bank account in the Designated Jurisdiction, for each ounce of gold comprising the applicable Refined Gold, the Gold Market Price as of the Business Day immediately prior to each such deposit date. Delivery of cash in lieu of Refined Gold to the Purchaser shall be deemed to have been made at the time and on the date the cash in respect of the applicable Refined Gold is credited or physically allocated to the designated bank account of the Purchaser (also, the “**Time of Delivery**” on the “**Date of Delivery**”).

- (h) If in any delivery month during the Term the average daily closing gold spot price is higher than US\$2,000 per ounce of gold, the number of ounces of Refined Gold in an amount equal to Payable Gold (by way of gold credits, physical allocation to the metal account(s), or cash equivalent, at the discretion of the Purchaser) deliverable to the Purchaser in that month shall be reduced by the equivalent of 50% of the aggregate value of the number of ounces of Refined Gold to be delivered in excess of US\$2,000 per ounce of gold.<sup>1</sup>
- (i) Title to, and risk of loss of, Refined Gold shall pass from the Seller to the Purchaser at the Time of Delivery.
- (j) All costs and expenses pertaining to each delivery of Refined Gold or cash therefor to the Purchaser shall be borne by the Seller so long as the Purchaser's metal account or bank account, as the case may be, is in a Designated Jurisdiction. If the Purchaser specifies delivery or payment, as the case may be, to a jurisdiction other than a Designated Jurisdiction, then the Purchaser will be responsible for any additional costs and expenses resulting therefrom over the costs and expenses that would have applied in the previous Designated Jurisdiction.
- (k) The Seller hereby represents and warrants to and covenants with the Purchaser that, immediately prior to the Time of Delivery: (i) the Seller will be the sole legal and beneficial owner of the Refined Gold credited or physically allocated to a metal account of the Purchaser; or, alternatively, satisfied by way of the delivery of cash to the Purchaser and then paid for via the deposit to the Purchaser's bank account as contemplated in this Section 2.2; (ii) the Seller will have good, valid and marketable title to such Refined Gold; and (iii) such Refined Gold will be free and clear of all Encumbrances.

### 2.3 Invoicing

The Seller shall notify the Purchaser in writing, at least three Business Days prior to each delivery and credit to either the metal account or the bank account of the Purchaser, by delivery of an invoice to the Purchaser that shall include:

- (a) the calculation of the number of ounces of Refined Gold credited by way of Refined Gold or cash, or physically allocated;
- (b) the Offtaker Settlement Sheets on which the calculation is based, or if the sharing of such Offtaker Settlement Sheets is restricted by applicable confidentiality restrictions or Applicable Laws, such other information that will allow the Purchaser to verify all aspects of the delivery of Refined Gold or cash therefor, reflected in such invoice;
- (c) the Date of Delivery and Time of Delivery;

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<sup>1</sup> By way of illustration, if the number of ounces of gold to be delivered in a month is 1,000 ounces, and the average daily closing gold spot price at such time is US\$2,300 per ounce, the reduction in Refined Gold deliverable for that month shall be equivalent to: \$300 per ounce, multiplied by 1,000 ounces (equaling \$300,000); multiplied by 0.5 (50%), which equals \$150,000 or approximately 65 ounces.

- (d) if the delivery of Refined Gold is satisfied by the delivery of cash, the Gold Market Price therefor; and
- (e) reference to the Offtake Agreement under which such delivery was made.

#### **2.4 Purchase Price**

The Seller and the Purchaser acknowledge and agree that following payment of the Tranches, the Purchaser will have prepaid for each ounce of Refined Gold to be delivered by the Seller to the Purchaser under this Agreement. For clarity, at the end of the Term and upon termination of this Agreement, no amount will be owing by the Purchaser to the Seller with respect to the delivery of Payable Gold, over and above amounts already advanced by the Purchaser to the Seller as and by way of the Purchase Price.

#### **2.5 Use of Funds**

The Seller shall use, or cause to be used: (i) the entire amount of the Purchase Price; (ii) the entire amount of funds received by the Seller pursuant to the Equity Subscription; and (iii) with respect to all other funding received by the Seller from any source whatsoever, solely towards: (A) the development of the Project, including mine dewatering and development at Clavos; (B) the repayment of the Waterton Credit Agreement; (C) general working capital purposes in respect of the Project (as set out in the Initial Program and Budget, and as may be set forth in Subsequent Programs and Budgets, but only to the extent that the Purchaser has provided its prior written approval to any such Subsequent Programs and Budgets); and (D) such further investments into the Project as needed to reach Commercial Production (but only to the extent that the Purchaser has provided its prior written approval to any such investments), but excluding natural gas infrastructure.

#### **2.6 Guarantee**

Following the Execution Date, Seller shall cause any Subsidiary of the Seller to become a Seller Guarantor under this Agreement, and shall cause each Seller Guarantor to provide to the Purchaser, upon becoming a Subsidiary, as continuing collateral security for the Seller's Obligations and the Seller Guaranteed Obligations, an unlimited and unconditional guarantee and a subordination and postponement of claim in form and substance satisfactory to the Purchaser, acting reasonably (a "**Guarantee**"), together with any relevant power of attorney, registrations, filings and other supporting documentation deemed necessary by the Purchaser or its counsel in connection therewith. The Seller will from time to time at its expense duly authorize, execute and deliver (or cause each Seller Guarantor to authorize, execute and deliver) to the Purchaser such further instruments and documents and take such further action as the Purchaser may reasonably request for the purpose of obtaining or preserving the full benefits granted or intended to be granted to the Purchaser and of the rights and remedies therein granted to the Purchaser.

#### **2.7 Security**

The Seller shall deliver to the Purchaser the Security Documents, in form and substance satisfactory to the Purchaser, acting reasonably. The Seller shall (and shall cause any Seller Guarantor to) take all actions necessary or as the Purchaser may reasonably request from time to time to ensure that the Seller's Obligations and the Seller Guaranteed Obligations are secured by a first ranking security interest over all assets of the Seller and any Seller Guarantors (including, for greater certainty, over the Project Assets), subject only to Permitted Encumbrances. The Seller shall (and shall cause any Seller Guarantor to), at its expense, register, file and record the Security Documents in all applicable jurisdictions where registration, filing, or recording is necessary or advantageous to the creation, perfection, and preserving of the security interests created by the applicable Security Documents. The Seller shall (and shall cause any Seller

Guarantor to) renew those registrations, filings, and recordings from time to time as and when required to keep them in full force and effect.

The Seller shall (and shall cause each Seller Guarantor to) from time to time as reasonably required, provide the Purchaser an opinion of the Seller's counsel that all such registrations, filings, and recordings have been made and that they perfect the security interests created by the applicable Security Documents.

### **ARTICLE 3 TRANCHE PAYMENTS**

#### **3.1 First Tranche Matters**

- (a) In consideration for the respective promises and covenants of the Seller contained herein, including the sale and delivery by the Seller to the Purchaser of Refined Gold, the Purchaser hereby agrees to pay, and the Seller hereby agrees to accept, the First Tranche on the First Tranche Closing Date in cash, subject to the conditions set out in Section 3.2. No interest will be payable by the Seller on or in respect of any part of the Purchase Price.
- (b) The Seller will provide wire transfer instructions and bank account information for (all) Tranches to the Purchaser at least three Business Days in advance of the First Tranche Closing Date. For clarity, if any of the conditions set out in Section 3.2 cannot be satisfied by the Seller, and the Purchaser is unwilling to waive any of such conditions, then closing shall not occur on the First Tranche Closing Date and this Agreement shall terminate.
- (c) The provisions of Article 3 are qualified by the provisions of the balance of this Article 3.

#### **3.2 Conditions Precedent to Advance of First Tranche in Favour of the Purchaser**

The Purchaser shall pay the First Tranche to or to the order of the Seller on the First Tranche Closing Date once each of the following conditions has been satisfied in full (or waived by the Purchaser):

- (a) the Seller (and, if applicable, any Seller Guarantors) shall have delivered to the Purchaser a certificate of status, good standing or compliance (or equivalent) for the Seller (and any Seller Guarantors) issued by the relevant Governmental Authority dated no earlier than two Business Days prior to the Execution Date;
- (b) the Seller (and, if applicable, any Seller Guarantors) shall have executed and delivered to the Purchaser a certificate of a senior officer of the Seller, in form and substance satisfactory to the Purchaser, acting reasonably, dated as of the Execution Date, as to its constating documents; the resolutions of its board of directors or other comparable authority authorizing the execution, delivery and performance of this Agreement and the other Documents and the transactions contemplated hereby and thereby; the names, positions and true signatures of the Persons authorized to sign this Agreement and the other Documents and such other matters pertaining to the transactions contemplated hereby and thereby as the Purchaser may reasonably require;
- (c) the Seller shall deliver to the Purchaser favourable opinions, in form and substance satisfactory to the Purchaser, acting reasonably, dated as of the First Tranche Closing Date, from external legal counsel to the Seller, including without limitation, in respect of:

- (i) the legal status of the Seller; (ii) the corporate power and authority of the Seller to conduct business, own properties and assets and execute, deliver and perform this Agreement and the other Documents, as applicable; (iii) the authorization, execution and delivery of this Agreement and the other Documents by the Seller; (iv) the enforceability of this Agreement and the other Documents against the Seller; (v) the execution, delivery and performance of this Agreement and the other Documents, as applicable, do not breach or cause default with respect to the constating documents of the Seller and Applicable Laws; (vi) no consents, filings, regulatory approvals, etc. required in connection with execution and delivery of this Agreement and the other Documents by the Seller, and the performance by the Seller of its respective obligations under this Agreement and the other Documents, as applicable; (vii) the creation and perfection (including without limitation, by registration) of the security interests created by the Security Documents; (viii) registration in all public offices where necessary or desirable to preserve, protect and perfect the security interests created by the Security Documents; and (ix) the authorized and issued share capital of the Seller.
- (d) the Security Documents listed in items 1 and 2 of Schedule "E" shall have been registered, filed or recorded in Ontario, and all actions shall have been taken, that may be prudent or necessary to preserve, protect or perfect the security interest of the Seller under such Security Document;
- (e) the Purchaser shall have received satisfactory evidence of all releases, discharges and postponements in respect of any Encumbrances against the Collateral that do not constitute Permitted Encumbrances, together with any public registry filings required to reflect the same;
- (f) the Purchaser shall have entered into a discharge and payout agreement with Waterton dated on or before the Execution Date, in form and substance satisfactory to the Purchaser, providing for, among other things: (i) the repayment in full of the Waterton Credit Agreement, in an amount not to exceed \$2,440,000; (ii) the termination of the Waterton Credit Agreement; (iii) the discharge of all security and release of all collateral held by Waterton to secure the obligations of the Purchaser under the Waterton Credit Agreement;
- (g) the Seller shall deliver to the Purchaser an executed estoppel letter from Royal Bank of Canada in respect of its credit card facility with the Seller, in form and substance satisfactory to the Purchaser;
- (h) the Purchaser and the Sellers shall have entered into an acknowledgment and consent agreement with Waterton dated on or before the Execution Date, in form and substance satisfactory to the Purchaser, providing for, among other things: (i) the amendment of the Waterton Gold Supply Agreement to delete Waterton's right of first refusal in its entirety, effective as of the Execution Date; (ii) the waiver by Waterton of its right of first refusal in the Waterton Credit Agreement in connection with the transactions contemplated by this Agreement; and (iii) the representation and warranty of both Waterton and the Seller that the Seller has not granted to Waterton, and Waterton does not hold or have the benefit of, any Encumbrances in respect of the obligations of the Seller under or in connection with the Waterton Gold Supply Agreement;
- (i) as of the First Tranche Closing Date; (i) all of the representations and warranties made by the Seller (and any Seller Guarantors, if applicable) in this Agreement or any other

Document, as applicable, shall be true and correct in all material respects (or in all respects in the case of representations and warranties that are qualified by materiality) on and as of such date as if made on such date; (ii) no Seller Event of Default (or an event which with notice or lapse of time or both would become a Seller Event of Default) shall have occurred and be continuing under this Agreement or the other Documents or would result from the advance of the First Tranche; (iii) the Seller (and any Seller Guarantors, if applicable) shall have performed all obligations that are required to be performed by each of them under the Documents prior to the closing in respect of the First Tranche; and (iv) the advance of the First Tranche will not violate any Applicable Law, and the Seller (and any Seller Guarantors, if applicable) shall have delivered to the Purchaser a certificate dated as of the First Tranche Closing Date of a senior officer of each, in form and substance satisfactory to the Purchaser, acting reasonably, confirming the foregoing;

- (j) the applicable parties shall have executed and delivered this Agreement, the Guarantees (if applicable), the Security Documents, the Equity Subscription Agreement and all other Documents required to be delivered pursuant to this Agreement, in form and substance satisfactory to the Purchaser, acting reasonably, and the same shall remain in full force and effect, unamended and no breach shall have occurred and be continuing in respect of any of such documents;
- (k) the applicable parties shall have executed and delivered the Kirkland Agreement, in form and substance satisfactory to the Purchaser, and the same shall remain in full force and effect, unamended and no breach shall have occurred and be continuing in respect of any of such documents, and the Purchaser shall have received evidence of the termination of the Joint Venture Agreement, in form and substance satisfactory to the Purchaser.
- (l) no provision of Applicable Laws or any Governmental Authority having competent jurisdiction shall prohibit the closing or adversely affect in any material respect the Purchaser's rights or benefits under this Agreement or the other Documents and no judgment, injunction, order or decree issued by any Governmental Authority having competent jurisdiction shall prohibit the closing or adversely affect in any material respect the Purchaser's rights or benefits under this Agreement or the other Documents;
- (m) all Approvals, acknowledgments and consents of all Governmental Authorities (including, for greater certainty, of the TSX Venture Exchange) and other Persons which are required to be obtained by the Seller (and any Seller Guarantors, if applicable) in order to complete the transactions contemplated by this Agreement and to perform its obligations under this Agreement and any Security Document to which it is a party have been obtained;
- (n) the Purchaser shall be satisfied, acting reasonably, with the insurance policies on the Clavos Properties and true and complete copies of the policies and certificates of insurance from the insurers in respect thereof shall have been delivered to the Purchaser;
- (o) the Purchaser shall have been provided reasonable evidence that negotiation of the Offtake Agreements have been initiated with third parties;
- (p) the Seller shall have paid the establishment fee to the Purchaser in the amount of \$289,500 (the "**Establishment Fee**"), provided that it is understood and agreed that such amount will be withheld by the Purchaser from the payment of the First Tranche in satisfaction of this condition;

- (q) the Seller shall have paid the Purchaser all fees and expenses due and, up to US\$100,000 (for greater certainty, such amount excluding the Establishment Fee), on or prior to the Execution Date, provided that it is understood and agreed that such fees and expenses shall be withheld by the Purchaser from the payment of the First Tranche in satisfaction of this condition;
- (r) the Purchaser shall be satisfied with its due diligence on the Clavos Project Assets and Clavos Properties, including a site visit to the Clavos Properties;
- (s) the Seller shall have dissolved any inactive Subsidiaries;
- (t) the Purchaser shall have received confirmation of toll-processing at a market rate for full commercial production over the life of the Project pursuant to a Toll-Processing Agreement;
- (u) the Purchaser shall have received the Detailed Mine Plan, in a form satisfactory to the Purchaser;
- (v) all necessary Permits (including, for greater certainty, active status Permits) and First Nations relationship requirements, including consultations, required to execute the Detailed Mine Plan, including approval for change of the Project status to active, shall have been obtained or executed, as applicable;
- (w) the Seller shall have obtained a certificate of insurance in respect of all its existing insurance policies in respect of the Project, naming the Purchaser as first loss payee and an additional insured in respect thereof;
- (x) the Seller shall have delivered to the Purchaser a lender title insurance policy in respect of the Project, in an amount not less than \$43,000,000, with evidence naming the Purchaser as a beneficiary thereto;
- (y) the Purchaser shall have received a title opinion in respect of the Project from counsel to the Seller, in form and substance satisfactory to the Purchaser;
- (z) the Seller shall have completed and submitted the application (including all required corresponding documentation) to the MNDM for its consent to: (i) the transfer of the Transferred Mining Leases (excluding those relating to, or in connection with, the Onaman Properties) in favour of the Seller; and (ii) the charging of the Transferred Mining Leases in favour of the Purchaser; and
- (aa) the Seller shall have delivered to the Purchaser such other certificates and documents as the Purchaser may require, acting reasonably.

### **3.3 First Tranche Closing Date Conditions Precedent in Favour of the Seller**

The Seller shall not be obligated to perform its obligations under Section 2.1(a), 2.2(a) or Article 5 until it has received the First Tranche in accordance with Section 3.1.

### **3.4 First Tranche Closing Date Closing Deliveries of the Purchaser**

On or before the First Tranche Closing Date, the Purchaser will deliver the following to the Seller:

- (a) a certificate of status, good standing or compliance (or equivalent) for the Purchaser issued by the relevant Governmental Authority dated no earlier than two Business Days prior to the First Tranche Closing Date;
- (b) a certificate executed by a senior officer of the Purchaser, in form and substance satisfactory to the Seller, acting reasonably, dated as of the First Tranche Closing Date, as to the constating documents of the Purchaser; the resolutions of the board of directors of the Purchaser authorizing the execution, delivery and performance of this Agreement and the transactions contemplated hereby; the names, positions and true signatures of the Persons authorized to sign this Agreement on behalf of the Purchaser; and such other matters pertaining to the transactions contemplated hereby as the Seller may reasonably require; and
- (c) a certificate dated as of the First Tranche Closing Date of a senior officer of the Purchaser, in form and substance satisfactory to the Seller, acting reasonably, confirming that as of the First Tranche Closing Date: (i) all of the representations and warranties made by the Purchaser in this Agreement are true and correct in all material respects (or in all respects in the case of representations and warranties that are qualified by materiality) on and as of such date as if made on such date.

### **3.5 Second Tranche**

In consideration for the respective promises and covenants of the Seller contained herein, including the sale and delivery by the Seller to the Purchaser of Refined Gold, the Purchaser hereby agrees to pay, and the Seller hereby agrees to accept, the Second Tranche on the Second Tranche Closing Date, in cash, subject to the conditions in Section 3.6. For clarity, if any of the conditions set out in Section 3.6 cannot be satisfied by the Seller and the Purchaser is unwilling to waive any of such conditions, then closing shall not occur on the Second Tranche Closing Date.

### **3.6 Conditions Precedent to Advance of Second Tranche in Favour of the Purchaser**

The Purchaser shall pay the Second Tranche to or to the order of the Seller on the Second Tranche Closing Date once each of the Second Tranche Closing Date Conditions set out in Schedule "D" shall have been fulfilled, to the satisfaction of the Purchaser, acting reasonably, provided that each of the First Tranche Closing Date Conditions shall have also been fulfilled and remain fulfilled as of the Second Tranche Closing Date.

### **3.7 Third Tranche**

In consideration for the respective promises and covenants of the Seller contained herein, including the sale and delivery by the Seller to the Purchaser of Refined Gold, the Purchaser hereby agrees to pay, and the Seller hereby agrees to accept, the Third Tranche on the Third Tranche Closing Date, in cash, subject to the conditions in 3.8. For clarity, if any of the conditions set out in Section 3.8 cannot be satisfied by the Seller and the Purchaser is unwilling to waive any of such conditions, then closing shall not occur on the Third Tranche Closing Date.

### 3.8 Conditions Precedent to Advance of Third Tranche in Favour of the Purchaser

The Purchaser shall pay the Third Tranche to or to the order of the Seller on the Third Tranche Closing Date once each of the Third Tranche Closing Date Conditions set out in Schedule "G" shall have been fulfilled, to the satisfaction of the Purchaser, acting reasonably, provided that each of the First Tranche Closing Date Conditions and Second Tranche Closing Date Conditions shall have also been fulfilled and remain fulfilled as of the Third Tranche Closing Date.

### 3.9 Satisfaction of Conditions Precedent

- (a) The Seller (and any Seller Guarantors, if applicable) shall use all reasonable commercial efforts and take all commercially reasonable action as may be necessary or advisable, to satisfy and fulfil all of the conditions set out in Sections 3.2, 3.6 and 3.8 by the date provided or, if no date is provided, as promptly as reasonably practicable. The Parties shall co-operate in exchanging such information and providing such assistance as may be reasonably required in connection with the foregoing.
- (b) Each of the conditions set out in Sections 3.2, 3.6 and 3.8 is for the exclusive benefit of the Purchaser, and may be waived by the Purchaser in its sole discretion in whole or in part in writing. Each of the conditions set out in Section 3.4 is for the exclusive benefit of the Seller, and may be waived by the Seller in its sole discretion in whole or in part in writing.

## ARTICLE 4 TERM AND TERMINATION AND ADJUSTMENT

### 4.1 Term

- (a) This Agreement and the term hereof (the "**Term**") shall commence on the Execution Date provided that the obligation to deliver Refined Gold in an amount equal to Payable Gold by way of cash, gold or gold credits, at the sole election of the Purchaser and as contemplated herein shall be subject to the terms and conditions of Section 3.1 and 3.2.
- (b) The Term shall continue until the date that is 40 years after the date of this Agreement (the "**Initial Term**") and thereafter shall automatically be extended for successive 10-year periods (each an "**Additional Term**" and, together with the Initial Term, the "**Term**"), unless there has been no active mining operations on the Properties during the last 10 years of the Initial Term or throughout such Additional Term, as applicable, in which case this Agreement shall terminate at the end of the Initial Term or such Additional Term, as applicable.
- (c) Notwithstanding this Section, the Purchaser may terminate this Agreement as of the expiry of the Initial Term or the current Additional Term, as applicable, by written notice to the Seller within 30 days prior to the date on which the then applicable Initial Term or Additional Term is to expire.
- (d) Notwithstanding this Section and in particular Section 4.1(c):
  - (i) the Term and this Agreement shall automatically terminate at the earlier of such time as: (A) the Seller has delivered to the Purchaser, Payable Gold in an amount

equal to the Maximum Delivery Obligation; and (B) each of the following has occurred: (x) 72 months of Commercial Production have been achieved; (y) the Seller has delivered to the Purchaser all deliverable Payable Gold; and (z) such amount of Payable Gold is in an aggregate amount of not less than the Minimum Delivery Obligation;

- (ii) this Agreement may be terminated by the Seller if on or before the First Tranche Closing Date all of the conditions to the advance of the First Tranche have been satisfied (or waived by the Purchaser) and the Purchaser, on or before the First Tranche Closing Date, has failed to advance the First Tranche to the Seller;
- (iii) this Agreement may also be terminated by the Parties on mutual written consent of the Parties; and
- (iv) this Agreement by terminated by the Purchaser for a Seller Event of Default in accordance with Article 10.

For clarity, the provisions of Article 1 and Article 12 of this Agreement and this sentence shall survive notwithstanding any termination of this Agreement.

## **ARTICLE 5 REPORTING; BOOKS AND RECORDS; INSPECTIONS**

### **5.1 Monthly Reporting**

During the Term, the Seller shall deliver to the Purchaser a Monthly Report on or before the fifteenth Business Day after the end of each calendar month.

### **5.2 Annual Reporting**

At least once every 12 months and no later than November 15 of each calendar year, the Seller shall provide to the Purchaser with respect to the Project:

- (a) a forecast for the life of mine, based on the Operating Plan, substantially in the same form as in the original Operating Plan or as otherwise agreed by the Seller and the Purchaser, acting reasonably, of the quantity of gold expected to be mined, stockpiled, processed and recovered over the next year on a month by month basis and over the remaining life of the mine on a year by year basis;
- (b) a listing of the Operating Plan assumptions, including operating and capital expenditure assumptions, exchange rates and metal prices, substantially in the same form as in the original Operating Plan, or as otherwise agreed by the Seller and the Purchaser, acting reasonably, used for short term and long term planning purposes in developing the forecast referred to in Section 5.2(a);
- (c) a statement setting out the actual tonnes and grades (estimated as appropriate) of Minerals and gold mined, stockpiled, processed and recovered as of the start of the period covered by the Operating Plan; and
- (d) a statement setting out the reserves and resources of gold for the Clavos Properties and the assumptions used, including cut-off grade, metal prices and metal recoveries; and

- (e) a reasonably detailed update with respect to Onaman.

### **5.3 Books and Records**

The Seller shall (and any Seller Guarantors, if applicable, shall) keep true, complete and accurate books and records of all of its respective operations and activities with respect to the Project and this Agreement, including the mining and production of all Minerals and minerals therefrom and the mining, treatment, processing, milling, transportation and sale or refining of all Clavos Minerals and all operating or capital costs. The Seller shall, the Seller Guarantors (if any) shall, and the Seller shall ensure that the Seller Guarantors (if any) shall, permit the Purchaser and its authorized representatives and agents to perform audits or other reviews and examinations of their respective books and records and other information relevant to the production, delivery and determination of Produced Gold and Payable Gold, and compliance with Article 6 and the requirements of this Agreement from time to time at reasonable times at the Purchaser's sole risk and expense and upon 20 Business Days' notice. The Purchaser shall diligently complete any audit or other examination permitted hereunder no more than four times per calendar year.

### **5.4 Inspections**

The Seller shall (and any Seller Guarantors, if applicable, shall) grant, or cause to be granted, to the Purchaser and its representatives and agents, at reasonable times and upon reasonable notice and at the Purchaser's sole risk and expense (unless such representative or agent is a Board Designee, in which case the risk and expense shall be borne solely by the Seller), the right to access the Clavos Properties, the processing facilities related to the Project, and other facilities of the Project, in each case to monitor the mining, processing and infrastructure operations relating to the Project and to permit a qualified Person to complete a personal inspection of the Project. The Purchaser shall have reasonable access to such employees and data of the Seller Group Entities and the employees and data of the Seller Group Entities' consultants and shall have an opportunity to conduct such comparative sampling tests and other activities as are required in the Purchaser's reasonable opinion. The Purchaser may avail itself of such rights of access a maximum of four times per calendar year, except during the occurrence of an Event of Default or a Material Adverse Effect, at which times, the Purchaser's and its representatives' and agents' access to the Clavos Properties, the processing facilities related to the Project, and other facilities of the Project, shall be unrestricted, and the risk and expense associated with such access shall be borne solely by the Seller.

## **ARTICLE 6 COVENANTS**

### **6.1 Conduct of Operations**

- (a) The Seller shall operate the Project on a commercial basis as if the Seller and the Seller Guarantors, if any, had the full economic interest in the gold produced from the Project in the absence of this Agreement, and as if the Seller was entitled to receive the Gold Market Price for the Payable Gold, and in such regard, the Seller shall use its commercially reasonable efforts to timely maximize production of gold from the Project with a view to ensuring that Commercial Production is reached as soon as possible following the First Tranche Closing Date. The Seller shall ensure that: (i) all cut off grade, short term mine planning and production decisions concerning the Project shall be based on gold prices typical of normal industry practice and consistent with the prices used in the other operations of the Seller Group Entities; and (ii) all longer term planning and resource and reserve calculations concerning the Project shall use gold prices based

on normal industry practice and consistent with the prices used in the other operations of the Seller Group Entities.

- (b) Subject to Sections 2.5, 6.1(a) and 6.4 and the other specific sections of this Agreement to the contrary, all decisions regarding the Project, including: (i) the methods, extent, times, procedures and techniques of any development and mining related to the Project or any portion thereof; (ii) spending on operating and capital expenditures; (iii) leaching, milling, processing or extraction; (iv) decisions to operate or continue to operate the Project or any portion thereof, including with respect to closure and care and maintenance; (v) decisions to take or refrain from taking any action in order to maintain gold recovery or production; and (vi) the sale of Minerals and sales strategy including decisions regarding the sale of gold and terms thereof (except as provided herein); shall be made by the Seller, in its sole discretion. Notwithstanding the foregoing, the Seller shall, the Seller Group Entities shall, and the Seller shall ensure that the Seller Group Entities shall, endeavour that, in conducting mining operations with respect to the Clavos Properties: (i) the number of active stopes shall be at least equal in number to the number of active stopes set out in the most recent Operating Plan; (ii) there shall be appropriate face sampling of each old stope before commencement of production of such stope; and (iii) the economic incentives for contractors and employees of the Seller is directed towards maximizing ounces of gold rather than metric tonnes of material displaced. Additionally, the Seller shall not conduct mining operations on the Onaman Project in priority or in place of mining operations on Clavos while the Project can be operated profitably and for clarity, it is understood and agreed that the Purchaser shall not be disadvantaged as a result of the conduct of mining operations on Onaman in place of or in priority to, or concurrently to the disadvantage of the mining operations on the Project.
- (c) Notwithstanding Sections 6.1(a) and 6.1(b), the Seller shall perform all mining operations and activities pertaining to or in respect of the Project in accordance, in all material respects, with all Applicable Laws, Permits and other authorizations, and accepted mining, processing, engineering and environmental practices prevailing in the mining industry in Ontario, and having regard to the principles of the World Gold Council Conflict Free Gold Standard.
- (d) Notwithstanding Section 6.1(b), the Seller shall not amend the Detailed Mine Plan without the Purchaser's prior written consent.
- (e) The Seller shall obtain and maintain all necessary certifications in the jurisdiction of Ontario in order to carry on business therein.
- (f) The Seller shall comply with all terms of its material claims, leases and patents, including the Permits and including those set out in Exhibit I herein.

## **6.2 Preservation of Corporate Existence**

- (a) Except as permitted in Section 6.2(b), the Seller shall, the Seller Guarantors (if any) shall, and the Seller shall ensure that the Seller Guarantors (if any) shall, at all times from and after the date hereof, do and cause to be done all things necessary or advisable to maintain their respective corporate existence. The Seller shall not, the Seller Guarantors (if any) shall not, and the Seller shall ensure that the Seller Guarantors (if any) shall not merge or amalgamate with another entity within a Seller Group Entity if such merger or

amalgamation would adversely impact the Purchaser's rights under this Agreement or any other Document.

- (b) The Seller shall not, the Seller Guarantors (if any) shall not, and the Seller shall ensure that the Seller Guarantors (if any) shall not, consolidate, amalgamate with, or merge with or into, or Transfer all or substantially all of their respective assets to, or reorganize, reincorporate or reconstitute into or as, another entity, or continue to any other jurisdiction, unless such action is in compliance with Sections 7.1, 7.2 and 7.3, and, in any such event, at the time of such consolidation, amalgamation, merger, reorganization, reincorporation, reconstitution, Transfer, or continuance, the resulting, surviving or transferee entity assumes in favour of the Purchaser all of the obligations of the applicable Seller Guarantor, as the case may be, under this Agreement and the other Documents as contemplated herein.
- (c) The Seller Guarantors (if any) shall not, and the Seller shall ensure that the Seller Guarantors (if any) shall not, amend any existing constitution of such Seller Guarantor, or revoke and adopt or adopt a new constitution, without the prior written consent of the Purchaser, which consent shall not be unreasonably withheld.

### **6.3 Processing/Commingling**

The Seller shall not (and if applicable, any Seller Guarantors shall not and the Seller shall ensure the Seller Guarantors shall not) process Other Minerals through the processing facilities related to the Project in priority to or in place of, or commingle Other Minerals with, Minerals which are or can be mined, produced, extracted or otherwise recovered from the Clavos Properties while the Project can be operated profitably, unless the Seller Group Entities and the Purchaser shall have entered into an agreement, on terms and conditions satisfactory to the Purchaser, acting reasonably, that provides for the following: (i) the applicable Seller Group Entity shall have adopted and caused to be employed, reasonable practices and procedures for weighing, determining moisture content, sampling and assaying and determining recovery factors (a "**Commingling Plan**"), such Commingling Plan to ensure the division of Other Minerals and Minerals for the purposes of determining the quantum of the Produced Gold; (ii) the Purchaser shall not be disadvantaged as a result of the processing of Other Minerals in place of, in priority to, or concurrently with, Minerals; (iii) the Purchaser shall have approved the Commingling Plan, and (iv) the Seller Group Entities shall be obligated to keep all books, records, data and samples required by the Commingling Plan. The Seller shall fully compensate the Purchaser for any disadvantage incurred or suffered by the Purchaser if and to the extent that the processing of Minerals mined, produced, extracted or otherwise recovered from the Properties through the processing facilities related to the Project is delayed as a result of such Other Minerals being processed through processing facilities related to the Project.

### **6.4 Offtake Agreements**

- (a) The Seller shall use its best efforts to enter into an Offtake Agreement as soon as possible and in any event within six months after the Execution Date, so as to enable the Seller to fulfill its delivery obligations pursuant to Section 2.2.
- (b) The Seller shall ensure that when Minerals that contain Produced Gold are sold, all such Minerals are sold to an Offtaker pursuant to an Offtake Agreement.
- (c) The Seller shall ensure that all Offtake Agreements entered into by a Seller Group Entity shall be on commercially reasonable arm's length terms and conditions for concentrates

similar in make-up and quality to those derived from the Minerals, and shall include industry standard reporting and payment settlement protocols and provisions that require the delivery of Offtaker Settlement Sheets and appropriate and separate sampling and assaying so that the Seller and the applicable Offtaker can determine the grade or content of Produced Gold and other metals in each delivery to an Offtaker. In the case of an Offtake Agreement entered into by a Seller Group Entity with an Affiliate or other non-arm's length party, in addition, the Offtake Agreement shall be on terms consistent with market practice. For greater certainty, any variances in an Offtake Agreement from the percentages used to determine Payable Gold under this Agreement shall be for the sole account of the Seller Group Entities and shall not affect the amount of Refined Gold to be delivered to the Purchaser under this Agreement.

- (d) The Seller shall ensure that the Seller Group Entities deliver all Minerals that include Produced Gold to each Offtaker, in such quantity, description and amounts and at such times and places as required under and in accordance with each Offtake Agreement. The Seller shall notify the Purchaser by electronic communication of each delivery of Minerals to an Offtaker no later than five Business Days: (i) after the Minerals leave the Properties or when the Minerals are loaded at a port facility, and (ii) after such is available to the Seller, information regarding the Mineral content in the shipment.
- (e) With respect to any Offtake Agreements entered into after the First Tranche Closing Date, the Seller shall promptly provide to the Purchaser confirmation of the terms of any such Offtake Agreement and, within 15 days after the execution thereof by each of the parties thereto, the Seller shall provide to the Purchaser a final signed copy of such Offtake Agreement and use its commercially reasonable efforts to avoid any requirement for the redaction of any part thereof, failing which, such Offtake Agreement shall be provided subject to the redactions required by any such Offtake Agreements.
- (f) The Seller Group Entities shall and the Seller shall ensure that the Seller Group Entities shall take all commercially reasonable steps to enforce their respective rights and remedies under each Offtake Agreement with respect to any breaches of the terms thereof relating to the timing and amount of Offtaker Settlements in respect of Produced Gold to be made thereunder. The Seller Group Entities shall and the Seller shall ensure that the Seller Group Entities shall notify the Purchaser in writing when any dispute in respect of a material matter arising out of or in connection with any Offtake Agreement is commenced in respect of Produced Gold and shall provide the Purchaser with timely updates of the status of any such dispute and the final decision and award of the court or arbitration panel with respect to such dispute, as the case may be.
- (g) The Seller shall not, and shall ensure that the Seller Group Entities shall not, amend any Offtake Agreement without the prior written consent of the Purchaser.

## **6.5 Insurance**

- (a) The Seller shall maintain, at all times with reputable insurance companies, insurance in good standing with respect to the Clavos Project Assets and the Onaman Project Assets and the operations conducted on and in respect of the Project and the Onaman Project against such casualties, losses and contingencies and of such types and in such amounts as is customary in the mining industry in Ontario.

- (b) Where any Seller Group Entity has received payment under an insurance policy in respect of the Project as a result of an event that does or is reasonably likely to materially reduce the amount of Produced Gold from the Project in any one or more years, the Seller Group Entity shall, and the Seller shall ensure that the Seller Group Entity shall, either: (i) use all Net Proceeds of any insurance payment received by any Seller Group Entity to rebuild or repair the Project or the damaged Clavos Project Assets; or (ii) pay the Applicable Percentage of the Net Proceeds of any insurance payment received by any Seller Group Entity in respect thereof to the Purchaser to fulfill its delivery obligations pursuant to Section 2.2 within 10 days after receipt of such proceeds by such Seller Group Entity. In this Section 6.5(b), “**Applicable Percentage**” means the Purchaser’s share of the Net Proceeds of such insurance payment received by any Seller Group Entity, up to a maximum amount of the Net Present Value of the Remaining Purchase, the Purchaser’s share being calculated as the ratio of: (i) the Net Present Value of the Remaining Purchase to (ii) the Project Net Present Value. A failure to agree on the foregoing proportion is arbitrable under Section 14.1. In the event that the Purchaser has not funded the Second Tranche and/or the Third Tranche, the Purchaser’s Applicable Percentage of the Net Proceeds shall be pro-rated based on the portion of the Purchase Price actually funded by the Purchaser.
- (c) The Seller shall ensure that each Lot shipped is adequately insured in such amounts and with such coverage as is customary in the mining industry in Ontario, until the time that risk of loss and damage for such Minerals is transferred to the Offtaker.
- (d) If any Seller Group Entity has received payment under an insurance policy in respect of a shipment of a Lot that is lost or damaged after leaving the Project and before the risk of loss or damage is transferred to the Offtaker, then the Seller shall use the Applicable Percentage of the Net Proceeds of any insurance payment received by the Seller Group Entity in respect thereof to fulfill its delivery obligations pursuant to Section 2.2. In this Section 6.5(d), “**Applicable Percentage**” means an amount equal to the average percentage content of Produced Gold in the portion of such Lot that was lost or damaged based on: (i) in the case of loss or damage of a partial shipment, the dry weight determined by weighing, sampling and moisture determination on loading of the gold and the agreed assays for gold which has been delivered; and (ii) in the case of loss or damage of a complete shipment, on the dry weight determined at loading and the mine’s provisional assays; in such case based on the respective market prices of the gold contained in such Lot as determined by the insurance settlement documents.

## 6.6 Confidentiality

- (a) Each Party (a “**Receiving Party**”) agrees that it shall maintain as confidential and shall not disclose, and shall cause its Affiliates, employees, officers, directors, advisors and representatives to maintain as confidential and not to disclose, the terms of this Agreement and all information (whether written, oral or in electronic format) received or reviewed by it as a result of or in connection with this Agreement, including, in the case of the Purchaser, any Offtake Agreement provided hereunder (collectively, the “**Confidential Information**”), provided that a Receiving Party may disclose Confidential Information in the following circumstances:
- (i) to its auditor, legal counsel, lenders, underwriters and investment bankers and to Persons (the “**Third Parties**”) with which it is considering or intends to enter into a transaction for which such Confidential Information would be relevant

(and to advisors and representatives of any such Person), provided that such Persons are advised of the confidential nature of the Confidential Information, undertake to maintain the confidentiality of it and are strictly limited in their use of the Confidential Information to those purposes necessary for such Persons to perform the services for which they were, or are proposed to be, retained by the Receiving Party or to consider or effect the applicable transaction, as applicable;

- (ii) subject to Sections 6.6(c) and 14.7, where that disclosure is necessary to comply with Applicable Laws, court order or regulatory request, provided that such disclosure is limited to only that Confidential Information so required to be disclosed and, where applicable, that the Receiving Party will have availed itself of the full benefits of any laws, rules, regulations or contractual rights as to disclosure on a confidential basis to which it may be entitled;
  - (iii) for the purposes of the preparation and conduct of any arbitration or court proceeding commenced under Section 14.1.
  - (iv) where such information is already available to the public other than by a breach of the confidentiality terms of this Agreement or is known by the Receiving Party prior to the entry into of this Agreement or obtained independently of this Agreement and the disclosure of such information would not breach any other confidentiality obligations;
  - (v) with the consent of the disclosing Party; and
  - (vi) to its Affiliates and those of its and its Affiliates' limited partners, investors, directors, officers, employees, advisors and representatives who need to have knowledge of the Confidential Information.
- (b) Each Party shall ensure that its Affiliates and its Affiliates' employees, directors, officers, advisors and representatives and those Persons listed in Section 6.6(a)(i) are made aware of this Section 6.6 and comply with the provisions of this Section 6.6. Each Party shall be liable to the other Party for any improper use or disclosure of such terms or information by such Persons.
- (c) If in compliance with Applicable Laws a Party is required to file this Agreement on SEDAR, such Party shall notify the other Party of such requirement within two Business Days after the date of this Agreement, and the Parties shall consult with each other with respect to any proposed redactions to this Agreement in compliance with Applicable Laws before it is filed on SEDAR. No Party shall file this Agreement on SEDAR without reasonable prior consultation with the other Parties, provided that such reasonable prior consultation shall not prohibit a Party from filing this Agreement on SEDAR redacted only to the extent such Party considers it permitted pursuant to Applicable Laws.

#### **6.7 Notice of Adverse Impact**

The Seller shall notify the Purchaser promptly following the occurrence of a Seller Event of Default and promptly regarding any matter that has had or is reasonably likely to have a Material Adverse Effect or may result in a Seller Event of Default, including, for greater certainty, receipt of notice of an intention to enforce security against any of the Project Assets or the Collateral.

## **6.8 Restrictions on Business**

The Seller shall not: (i) carry on any business other than the business of mining in Ontario, including exploration and development activities, and all other ancillary activities related thereto; (ii) have any material assets other than the Clavos Project Assets, the Onaman Project Assets, and cash or cash equivalents; or (iii) have any material liabilities other than Permitted Indebtedness. Notwithstanding the foregoing, the Seller may, directly or indirectly, acquire interests in or rights to acquire interests in other mineral properties inside or outside of Ontario; provided that: (i) any such acquisitions, individually or when taken together with other such acquisitions, would not have a material adverse effect or a Material Adverse Effect; (ii) at the time of and following any such acquisitions, all terms, conditions and covenants under this Agreement remain complied with, and (iii) no Seller Event of Default (or an event which with notice or lapse of time or both would become a Seller Event of Default) will have occurred or would result from any such acquisitions.

## **6.9 Non-Arm's Length Transactions**

Without limiting Section 6.4, the Seller shall (and if applicable, the Seller Guarantors shall, and the Seller shall ensure that any Seller Guarantors shall) only engage in any transaction or arrangements with any other Seller Group Entity, including the provision, purchase, sale or receipt of any service, asset or payment, if any such transaction or arrangement: (i) does not have a Material Adverse Effect on the Purchaser; or (ii) does not have a Material Adverse Effect on gold production from the Project based on the Operating Plan in effect at the time of the occurrence of the Material Adverse Effect.

## **6.10 Program and Budget**

No later than 60 days prior to the expiry of the Initial Program and Budget and prior to the expiry of any Subsequent Program and Budget, the Seller shall deliver to the Purchaser a Subsequent Program and Budget which must be acceptable to the Purchaser, acting reasonably. The Initial Program and Budget and each Subsequent Program and Budget shall be prepared by the Seller or the Seller Group Entities in good faith, in accordance with sound mining practice, industry standards and Applicable Laws. The Seller shall manage, direct and control mining operations in accordance with the Initial Program and Budget and Subsequent Programs and Budgets, and shall fund all expenditures required to carry out mining operations contemplated thereby.

## **6.11 Trading Activities of the Seller and the Seller Group Entities**

The Seller shall, the Seller Group Entities shall, and the Seller shall ensure that the Seller Group Entities shall, only engage in forward sales, futures trading or commodity options trading and other price hedging, price protection, and speculative arrangements (the "**Trading Activities**") which may involve the possible physical delivery of Produced Gold, if and only if, the Trading Activities are necessary, in the opinion of the Seller, acting reasonably, to protect the Seller against short-term fluctuations in gold prices. For clarity, the Seller shall not, the Seller Group Entities shall not, and the Seller shall ensure that the Seller Group Entities shall not, engage in Trading Activities that are speculative hedges that could reasonably be expected to cause or to incite the Seller and the Seller Group Entities to cease funding mining operations on the Project (thereby affecting the Purchaser's receipt of Refined Gold). The Seller shall provide prompt written notice to the Purchaser, to the greatest extent practicable and in the greatest detail, immediately prior to entering into any Trading Activities.

### **6.12 Acts to Prevent Seller Event of Default**

The Seller shall (and if applicable, any Seller Guarantors shall, and the Seller shall ensure that any Seller Guarantors shall) do all such acts and things as shall be required in order to prevent the occurrence of a Seller Event of Default and in particular and without limitation, to prevent a Seller Event of Default pursuant to the provisions of Sections 10.1(g) through 10.1(s).

### **6.13 Security Documents and Encumbrances**

The Seller shall, prior to the First Tranche Closing Date:

- (i) provide to the Purchaser evidence of registration of the Security Document listed in item 1 of Schedule "E" with the Ontario Personal Property Registry and the appropriate land registry office in Ontario;
- (ii) provide to the Purchaser evidence of registration of item 2 of Schedule "E" against the mining claims and leases with the appropriate land registry office in Ontario; and
- (iii) otherwise do, execute, and deliver all such things, documents, security, agreements and assurances that the Purchaser may from time to time request to ensure that the Purchaser holds at all times valid, enforceable, perfected, first priority Encumbrances from the Seller and each Seller Guarantor (if any) meeting the requirements of Section 2.7.

The Seller shall, as soon as reasonably possible following the First Tranche Closing Date and in any event, no later than the Third Tranche Closing Date:

- (i) provide to the Purchaser evidence of registration of the Security Document listed in item 3 of Schedule "E" with the appropriate land registry office in Ontario.

The Seller shall use commercially reasonable efforts to remove, promptly following the Execution Date, the Permitted Encumbrances listed in Schedule "F" under the heading "Other Encumbrances", specifically B. (Estate of Knuttila) and C. (Spousal Interest).

### **6.14 New Subsidiaries**

The Seller shall not incorporate, form or otherwise create any Subsidiary, without the prior consent of the Purchaser, which consent shall not be unreasonably withheld, and subject to complying with this 6.14. The Seller shall cause any Person who, following the Execution Date, becomes a Subsidiary (and thus is deemed to be a Seller Guarantor), to execute and deliver: (i) an agreement in favour of the Purchaser, in form and substance satisfactory to the Purchaser, acting reasonably, in which such Subsidiary agrees that it is a "Seller Guarantor" and agrees to comply with the terms in this Agreement and agrees to execute a guarantee in the same form as the Guarantee described pursuant to Section 2.6 hereof; and (ii) first ranking charges and security interests as and by way of pledge agreements and general Security Documents of like kind and tenor as the Security Documents, in form and substance satisfactory to the Purchaser, acting reasonably, and in keeping with the spirit and intent of the Security Documents.

### **6.15 Commitment of Nigel Lees and Bill Love**

For a period of three years following the First Tranche Closing Date, each of Nigel Lees and Bill Love shall commit (and the Seller shall cause each of Nigel Lees and Bill Love to commit) at least 80% of their time and efforts, in priority to all of their other business and professional commitments, to the operations and advancement of the Clavos Project.

### **6.16 Other Reporting Requirements**

- (a) The Seller shall: (i) promptly notify the Purchaser in writing of any default, or event, condition or occurrence which with notice or lapse of time, or both, could, when taken together, constitute a default under any agreement in respect of debt to which the Seller (or a Seller Guarantor, if any) owes (contingently or otherwise) at least \$50,000 (or the exchange equivalency thereof in any other currency based on the noon spot rate of exchange for such other currency to Canadian dollars published by Bloomberg for the relevant date); and (ii) deliver to the Purchaser such other information respecting the financial condition or operations of the business of the Seller (or Seller Guarantors, if any), as the Purchaser may from time to time reasonably request.
- (b) Promptly upon becoming aware thereof, the Seller shall: (i) give notice to the Purchaser of any litigation, proceeding or dispute (including labour dispute), threatened (of which it is aware) or commenced against the Seller or any Seller Guarantor, if the litigation or dispute, if adversely determined, could reasonably be expected to have a Material Adverse Effect; (ii) advise the Purchaser of the extent to which any adverse determination is covered by insurance; (iii) provide all reasonable information requested by the Purchaser concerning the status of any litigation, proceeding or dispute; and (iv) use reasonable efforts to bring about a reasonable and favourable resolution or disposition of the litigation, proceeding or dispute.

### **6.17 Application to MNDM**

Following the closing of the Equity Subscription but no later than the Execution Date, the Seller shall have completed and submitted the application (including all required corresponding documentation) to the MNDM for the MNDM's consent to: (i) the acquisition by the Seller of KLG's interest in the Project pursuant to the Kirkland Agreement; (ii) the transfer of the Transferred Mining Leases in favour of the Seller (excluding those relating to, or in connection with, the Onaman Properties); and (iii) the charging of the Transferred Mining Leases in favour of the Purchaser. All costs and expenses pertaining to the application to the MNDM shall be borne by the Seller.

### **6.18 Compliance with First Nations' Requirements**

The Seller shall (and if applicable, any Seller Guarantors shall, and the Seller shall ensure that any Seller Guarantors shall) comply with all First Nations' relationship requirements necessary or desirable for operation, continuation and protection of the Project, including, without limitation, any consultations with First Nations or impact benefit agreements.

## ARTICLE 7 TRANSFERS OF INTERESTS

### 7.1 Owner of Project Assets etc.

The Seller shall, the Seller Group Entities shall, and the Seller shall ensure that the Seller Group Entities shall, ensure that during the Term: (i) the only Transfers of the Project, the Clavos Project Assets, Onaman or the Onaman Project Assets; (ii) the only Share Transfers in respect of the Shares of the Seller; or (iii) the only Changes of Control of the Seller; shall be those that: (1) are completed in compliance with the provisions of Sections 6.2 and 7.3; (2) are permitted pursuant to the provisions of this Article 7; or (3) are effected with the prior written consent of the Purchaser.

### 7.2 Prohibited Transfers and Changes of Control

Except as set out in Section 7.3:

- (a) The Seller shall not, Transfer, in whole or in part, the Project Assets or the Onaman Project Assets or any right, title or interest therein; and
- (b) The Seller shall not effect a Change of Control or enter into any agreement, arrangement or other transaction with any Person that would result in a Change of Control.

### 7.3 Permitted Transfers and Changes of Control

Transfers, Share Transfers and Changes of Control that are permitted hereunder are set forth below in this Section 7.3.

- (a) A Transfer of the Project, the Clavos Project Assets, Onaman and the Onaman Project Assets to a Person that is not a Seller Group Entity (other than one provided for in Section 7.3(d)) is permitted as follows:
  - (i) the Project, the Clavos Project Assets, Onaman and the Onaman Project Assets must be transferred together and as an entirety;
  - (ii) the Seller must provide the Purchaser with at least 30 days prior written notice of the proposed Transfer;
  - (iii) the Seller must Transfer all, but not less than all, of the Clavos Project Assets together with the Onaman Project Assets (other than leased personal property that is not material to the Clavos Project Assets or the Onaman Project Assets that, by the terms of any lease, may not be transferred) to the same transferee, (the "New Owner");
  - (iv) the New Owner's direct and indirect parent companies must become the Seller (the "New Owner") and the Seller Guarantors (the "New Seller Guarantors"), and must grant to the Purchaser the same type of guarantees and security as contemplated by the Guarantees and the Security Documents;
  - (v) the New Owner and the New Seller Guarantors must each become a party hereto and to the Guarantees and the Security Documents, as the case maybe, pursuant

to an agreement in form and substance satisfactory to the Purchaser, acting reasonably;

- (vi) all necessary consents and approvals of any Governmental Authority or other Person must be obtained or satisfied with respect to such Transfer;
  - (vii) there must be no Seller Event of Default (or an event which with notice or lapse of time or both would become a Seller Event of Default) that has occurred and is continuing;
  - (viii) the Transfer, in the opinion of the Purchaser, acting reasonably, must not have a Material Adverse Effect (with the appropriate changes made to the definition of Material Adverse Effect to give effect to the concept of the New Owner and the New Seller Guarantors); and
  - (ix) if the New Owner and the New Seller Guarantors have outstanding any Indebtedness secured by the same assets as the assets securing this Agreement, including without limitation, as set forth in the Security Documents, their secured lenders shall have entered into an intercreditor agreement with the Purchaser, on terms satisfactory to the Purchaser, acting reasonably.
- (b) A Share Transfer or Change of Control, as applicable, of the Seller or a Change of Control of the Seller Guarantors (if any) to a Person that is not a Seller Group Entity is permitted as follows:
- (i) the Seller must provide the Purchaser with at least 30 days prior written notice of the proposed Share Transfer or Change of Control;
  - (ii) if there is a Share Transfer of the Seller, each transferee of the Shares must become a New Seller Guarantor, must become a party hereto and to the Guarantees and the Security Documents, as the case may be, pursuant to an agreement in form and substance satisfactory to the Purchaser, acting reasonably and must grant to the Purchaser the same type of guarantees and security as contemplated by the Guarantees and the Security Documents;
  - (iii) if there is a Change of Control of a Seller Guarantor, each transferee of the Shares must become a New Seller Guarantor, must become a party hereto pursuant to an agreement in form and substance satisfactory to the Purchaser, acting reasonably, and must grant to the Purchaser the same type of guarantees and security as contemplated by the Guarantees and the Security Documents;
  - (iv) all necessary consents and approvals of any Governmental Authority or other Person are obtained or satisfied with respect to such Share Transfer or Change of Control;
  - (v) the Share Transfer or the Change of Control, in the opinion of the Purchaser, acting reasonably, must not have a Material Adverse Effect (with the appropriate changes made to the definition of Material Adverse Effect to give effect to the concept of the New Owner and the New Seller Guarantors);

- (vi) if the New Owner and the New Seller Guarantors have outstanding any Indebtedness secured by the same assets as the assets securing this Agreement, including without limitation as set forth in the Security Documents, their secured lenders shall have entered into an intercreditor agreement with the Purchaser, on terms satisfactory to the Purchaser, acting reasonably; and
  - (vii) for purposes of this Section 7.3(b), a "Share Transfer" shall not include an issuance from treasury by the Seller of its shares.
- (c) A Transfer of the Project, the Clavos Project Assets, Onaman and the Onaman Project Assets, a Share Transfer of the Seller or a Change of Control of the Seller or the Seller Guarantors to a Person that is a Seller Group Entity is permitted as follows:
- (i) the Seller must provide at least 30 days prior written notice of the proposed Transfer, Share Transfer or Change of Control;
  - (ii) the Seller must provide a confirmation in favour of the Purchaser that its obligations under this Agreement shall continue in full force and effect despite any such Transfer, Share Transfer or Change of Control;
  - (iii) each transferee must become, as applicable, a New Owner or a New Seller Guarantor, must become a party hereto and to the Guarantees and the Security Documents, as the case may be, pursuant to an agreement in form and substance satisfactory to the Purchaser, acting reasonably, and must grant to the Purchaser the same type of guarantees and security as contemplated by the Guarantees and the Security Documents;
  - (iv) all necessary consents and approvals of any Governmental Authority or other Person are obtained or satisfied with respect to such Transfer, Share Transfer or Change of Control;
  - (iv) if the transferee has outstanding any Indebtedness secured by the same assets as the assets securing this Agreement including without limitation, the Security Documents, its secured lenders shall have entered into an intercreditor agreement with the Purchaser on terms and conditions satisfactory to the Purchaser, acting reasonably; and
  - (v) for purposes of this Section 7.3(c), a "Share Transfer" shall not include an issuance from treasury by the Seller of its shares.
- (d) A Transfer of the Project, the Clavos Project Assets, Onaman and the Onaman Project Assets to a Person that is not a Seller Group Entity (i.e., a New Owner) that comprises a minority interest disposition, joint venture or other similar commercial arrangement is permitted as follows:
- (i) the interest in the Project, the Clavos Project Assets, Onaman and the Onaman Project Assets must be transferred together and as an entirety;
  - (ii) the Seller must provide the Purchaser with at least 30 days prior written notice of the proposed Transfer;

- (iii) the New Owner's direct and indirect parent companies must become New Seller Guarantors pursuant to this Agreement and must grant to the Purchaser the same type of guarantees and security as contemplated by the Guarantees and the Security Documents;
  - (iv) the New Owner and the New Seller Guarantors must each become a party hereto and to the Guarantees and the Security Documents, as the case may be, pursuant to an agreement in form and substance satisfactory to the Purchaser, acting reasonably;
  - (v) all necessary consents and approvals of any Governmental Authority or other Person must be obtained or satisfied with respect to such Transfer;
  - (vi) there must be no Seller Event of Default (or an event which with notice or lapse of time or both would become a Seller Event of Default) that has occurred and is continuing;
  - (vii) the Transfer, in the opinion of the Purchaser, acting reasonably, must not have a Material Adverse Effect (with the appropriate changes made to the definition of Material Adverse Effect to give effect to the concept of the New Owner and the New Seller Guarantors);
  - (viii) if the New Owner and the New Seller Guarantors have outstanding any Indebtedness secured by the same assets as the assets securing this Agreement, including without limitation as set forth in the Security Documents, their secured lenders shall have entered into an intercreditor agreement with the Purchaser, on terms satisfactory to the Purchaser, acting reasonably;
  - (ix) the Seller must retain at least an indirect majority undivided interest in the Project and Onaman and the Seller (and the Seller Guarantors, if any) shall not be released from any of their obligations under this Agreement; and
  - (x) a Seller Group Entity must at all times act as the operator of the Project and Onaman.
- (e) If the Seller intends to abandon, surrender, relinquish or let lapse any of the Properties, including by way of ceasing to maintain Permits or the validity of mineral claims, leases or exploration licenses (the "**Abandonment Property**"), then the Seller shall: (i) have determined, acting in a commercially reasonable manner, that it is not economical to mine Minerals from the Abandonment Property; and (ii) first give notice of such intention to the Purchaser at least 30 days in advance of the proposed date of abandonment. If, not later than 10 days before the proposed date of abandonment, the Seller receives written notice from the Purchaser that the Purchaser desires the Seller to convey or cause the conveyance of the Abandonment Property to the Purchaser or an assignee, then the Seller shall, without additional consideration, convey or cause the conveyance of the Abandonment Property to the Purchaser on an *as is where is basis* and at the sole cost, risk and expense of the Purchaser, and the Seller shall thereafter have no further obligation to maintain the title to the Abandonment Property.

If the Purchaser does not give such notice to the Seller within the prescribed period of time, then the Seller may abandon the Abandonment Property and the Seller shall thereafter have no further obligation to maintain the title to the Abandonment Property.

If any Seller Group Entity reacquires a direct or indirect interest in any of the ground covered by the Abandonment Property at any time within ten years following abandonment, then the production of gold from such property shall be subject to this Agreement. The Seller shall give written notice to the Purchaser within ten days of any such reacquisition.

## **ARTICLE 8 SECURITY**

### **8.1 Indebtedness and Encumbrances**

- (a) The Seller shall not (and if any, the Seller Guarantors shall not, and the Seller shall ensure that the Seller Guarantors shall not) incur or assume or become liable for, or permit any other Seller Group Entity to incur or assume or become liable for, any Indebtedness, except for Permitted Indebtedness.
- (b) The Seller shall not, the Seller Group Entities shall not, and the Seller shall ensure that the Seller Group Entities shall not create, assume, grant or permit to exist any Encumbrance, other than Permitted Encumbrances: (i) in respect of all or any of the Clavos Project Assets or the Onaman Project Assets; and (ii) in respect of all or any part of the Collateral.
- (c) The Seller shall (and if any, the Seller Guarantors shall, and the Seller shall ensure that the Seller Guarantors shall) cause any Person who becomes a Seller Group Entity after the date hereof to execute and deliver: (i) if such Seller Group Entity is to be a "Seller", an agreement in favour of the Purchaser, in form and substance satisfactory to the Purchaser, acting reasonably, in which such Seller agrees to become a party to this Agreement; (ii) if such Seller Group Entity is to be a "Seller Guarantor", an agreement in favour of the Purchaser, in form and substance satisfactory to the Purchaser, acting reasonably, in which such Seller Guarantor agrees to execute a guarantee in the same form as the Guarantee provided pursuant to Section 2.6 hereof; (iii) first ranking charges and security interests as and by way of pledge agreements and general Security Documents of like kind and tenor as the Security Documents and in keeping with the spirit and intent of the Security Documents; and (iv) if applicable, any intercreditor agreement.
- (d) Except for the purposes of making payments in respect of and pursuant to the terms of Permitted Indebtedness, the Seller shall not, the Seller Group Entities shall not, and the Seller shall ensure that the Seller Group Entities shall not, make or commit to make any Distribution or other payment or transfer of assets to any other Seller Group Entity, including by way of set-off or in-kind, if a Seller Event of Default, or any event or circumstance which, with notice, the passage of time or both, would constitute a Seller Event of Default, has occurred and is continuing, or if a Seller Event of Default would reasonably occur or arise immediately after, or as a result of, making a Distribution, payment or transfer of assets.
- (e) The Seller shall (and if any, the Seller Guarantors shall, and the Seller shall ensure that the Seller Guarantors shall) cause all such further agreements, instruments and documents

to be executed and delivered and all such further acts and things to be done as the Purchaser may from time to time reasonably require to obtain, perfect and maintain first ranking prior perfected charges and security interests in, to and over all of the Collateral as well as all Shares in and collateral of any Seller Group Entity as contemplated herein.

- (f) The Seller shall not, the Seller Group Entities shall not, and the Seller shall ensure that the Seller Group Entities shall not, contest, in any manner, the effectiveness, validity, binding nature or enforceability of this Agreement or the other Documents.

## **8.2 Stockpiling**

If any Seller Group Entity intends to stockpile, store, warehouse or otherwise place Minerals off the Clavos Properties (the “**Stockpiling Activities**”), then, before doing so, the Seller shall obtain from the property owner where such stockpiling, storage, warehousing or other placement is to occur, a written acknowledgement in recordable form which provides that the Seller’s rights to the Minerals shall be preserved. Notwithstanding the foregoing, none of the Seller, any Seller Guarantors nor any other Seller Group Entities shall have the right to engage in Stockpiling Activities if such Stockpiling Activities would result, directly or indirectly, in the failure to reach Commercial Production, or a significant barrier thereto, or in the Purchaser being disadvantaged as a result of such Stockpiling Activities. The Seller shall not engage in Stockpiling Activities beyond best operating practices, and in any case of no more than 20,000 tonnes at any time. Any stockpile existing at the end of the Term shall be processed, and Refined Gold in an amount equal to Payable Gold in respect of such stockpile shall be delivered to the Purchaser.

## **ARTICLE 9 REPRESENTATIONS AND WARRANTIES**

### **9.1 Representations and Warranties of the Seller**

The Seller acknowledging that the Purchaser is entering into this Agreement in reliance thereon, hereby makes on and as of the date of this Agreement, the representations and warranties to the Purchaser set out in Schedule "B".

### **9.2 Representations and Warranties of the Purchaser**

The Purchaser, acknowledging that the Seller is entering into this Agreement in reliance thereon, hereby makes, on and as of the date of this Agreement, the representations and warranties to the Seller and, if applicable, the Seller Guarantors set out in Schedule "C".

### **9.3 Survival of Representations and Warranties**

The representations and warranties set out in Schedule "B" and Schedule "C", if applicable, shall survive the execution and delivery of this Agreement, and for greater certainty, shall be deemed to be repeated as of the First Tranche Closing Date, the Second Tranche Closing Date and the Third Tranche Closing Date.

### **9.4 Knowledge**

Where any representation or warranty contained in this Agreement is expressly qualified by reference to the “knowledge” of the Seller, it shall be deemed to refer to the actual knowledge of any of the Chief Executive Officer, Chief Financial Officer and Vice President, Business Development of the Seller and all knowledge which such Persons would have if such Persons made due enquiry into the relevant subject matter.

**ARTICLE 10  
SELLER EVENTS OF DEFAULT**

**10.1 Seller Events of Default**

Each of the following events or circumstances constitutes an event of default by the Seller (each, a “**Seller Event of Default**”):

- (a) the Purchaser is of the view, acting reasonably, that the Seller or any Seller Group Entity has failed to deliver Produced Gold to a processing facility within 30 days after the same has been mined, produced, extracted or otherwise recovered in a sellable form from the Clavos Properties, other than by reason of an event of Force Majeure, and for greater certainty, a “processing facility” shall include the Black Fox-Stock Mill operated by Primero Mining Corp.;
- (b) the Seller has failed to deliver Refined Gold in an amount equal to Payable Gold by way of gold credits or as otherwise contemplated by this Agreement to the Purchaser within 5 Business Days from the time that an Offtake Settlement has been reached, other than by reason of an event of Force Majeure;
- (c) other than as provided in Section 10.1(a) or elsewhere in this Article 10 and other than by reason of an event of Force Majeure, the Seller or any Seller Guarantor is in breach or default of any terms, deadlines or conditions or any of its covenants or obligations set out in this Agreement or any other Document, as applicable, in any material respect, which breach or default is not remedied within a period of 20 days following the earlier of: (i) the date that the Seller or the Seller Guarantor becomes aware of such default; or (ii) the date that the Seller or any Seller Guarantor receives notice from the Purchaser notifying the Seller or such Seller Guarantor of such default, or such longer period of time as the Purchaser may determine in its sole discretion. For clarity and without limitation, the Seller’s obligations hereunder shall include all obligations of any Seller Guarantors and the Seller Group Entities as referenced in this Agreement as well as the Seller’s obligations to ensure that any Seller Guarantors and the Seller Group Entities act or refrain from acting as provided in this Agreement;
- (d) any of the representations or warranties given by the Seller is inaccurate in any material respect (or in any respect in the case of representations and warranties that are qualified by materiality), and the conditions giving rise to such inaccuracy are not remedied within a period of 30 days following delivery by the Purchaser to the Seller of written notice of such inaccuracy, or such longer period of time as the Purchaser may determine in its sole discretion;
- (e) the occurrence of an “event of default” by the Seller or any Seller Guarantor under any of the Material Agreements that the Seller or any Seller Guarantor fails to cure in accordance with any available right to cure;
- (f) any process of execution is enforced or levied upon assets having a value of \$75,000 (or the equivalent amount in any other currency) or more of the Seller or any Seller Guarantor;
- (g) any judgment or order for the payment of money in excess of \$75,000 (or the equivalent amount in any other currency), net of any amounts available for the satisfaction of such

judgment or order pursuant to an enforceable contract of insurance, shall be rendered against the Seller or any Seller Guarantor and is not stayed within 30 days after it has been rendered or is not stayed prior to the time that any action is taken by any person to enforce such judgment or order;

- (h) the occurrence of an Insolvency Event affecting the Seller or any Seller Guarantors;
- (i) if any Security Document shall for any reason become invalid or unenforceable or shall otherwise cease to create a valid and perfected first ranking Encumbrance over the Collateral, subject to any Permitted Encumbrances, and such default has not been remedied within 10 days of the earlier of: (i) the date that the Seller or any Seller Guarantor becomes aware of such default; and (ii) the date that the Seller or any Seller Guarantor receives notice from the Purchaser notifying the Seller or such Seller Guarantor of such default;
- (j) if the Seller fails to produce at least 15,000 ounces of Produced Gold and deliver to the Purchaser at least 2,500 ounces of Refined Gold produced from Clavos by the 12<sup>th</sup> month from the date the Commercial Production is first achieved;
- (k) if the Seller fails to produce at least 40,000 ounces of Produced Gold and deliver to the Purchaser at least 6,000 ounces of Refined Gold produced from Clavos by the 24<sup>th</sup> month from the date the Commercial Production is first achieved;
- (l) if the Seller fails to produce at least 60,000 ounces of Produced Gold and deliver to the Purchaser at least 10,000 ounces of Refined Gold produced from Clavos by the 36<sup>th</sup> month from the date the Commercial Production is first achieved;
- (m) the Seller fails to reach Commercial Production within 18 months from the Execution Date;
- (n) the Seller has not delivered Refined Gold to the Purchaser as contemplated above within 120 days after gold is mined, produced, extracted or otherwise recovered from the Clavos Properties, other than by reason of an event of Force Majeure;
- (o) the Seller fails to complete the payout in full and the termination of the Waterton Credit Agreement for no more than \$2,440,000;
- (p) the Seller or any Seller Group Entity fails to maintain all Permits required to reach Commercial Production and continue commercial production of the Produced Gold for the length of the Term;
- (q) if any material mining claim, lease or patent, or any of the right, title and interest of the Seller or any Seller Guarantors therein is cancelled, extinguished, terminated, revoked or forfeited, including any claims, leases or patents set out in Exhibit I herein;
- (r) the Seller has used the Purchase Price in a manner not permitted by Section 2.5;
- (s) the Purchaser, acting reasonably, does not approve the use of the Purchase Price as set forth in a Subsequent Program and Budget, on the basis that the use is not consistent with its intended use as set forth in the Initial Program and Budget;

- (t) there shall have occurred any event or circumstance, or any event or circumstance shall have failed to occur, which in the opinion of the Purchaser, acting reasonably, has or could have a Material Adverse Effect or a material adverse effect on: (i) the validity or enforceability of this Agreement or any other Document; (ii) the priority or ranking of any Encumbrance under the Security Documents; and (iii) the rights or remedies of the Purchaser under this Agreement or any other Document; in each case in the sole discretion of the Purchaser;
- (u) any Document executed and delivered by one or more of the Seller and any Seller Guarantors shall, except as a result of the acts or omissions of the Purchaser, cease to be in full force and effect;
- (v) the validity of any Document or the applicability thereof to the Seller's Obligations or Seller Guaranteed Obligations or any other obligations purported to be guaranteed hereby or thereby or any part thereof shall be disaffirmed by or on behalf of the Seller, any Seller Guarantor or any other party thereto (other than the Purchaser) or the denial of the Seller or any Seller Guarantor of its obligations under any Document; or
- (w) the enactment of any legislation or the entering or obtaining of any decree or order of a court, statutory board or commission which renders any Document or any material provision thereof unenforceable, unlawful or otherwise changed, if the Seller and/or any Seller Guarantor that is a party to such Document does not, within ten days after receipt of notice of such Document or material provision becoming unenforceable, unlawful or otherwise changed, replace such Document with a new agreement that is in form and substance satisfactory to the Purchaser in its sole discretion, acting reasonably, or amend such Document to the satisfaction of the Purchaser in its sole discretion, acting reasonably.

## **10.2 Force Majeure**

The provisions of Sections 10.1(a), (b), (c) and (n) are all subject to the occurrence of an event of Force Majeure as stated therein. If an event of Force Majeure contemplated in any of the said Sections of 10.1 shall have occurred the Seller must: (i) immediately notify the Purchaser in writing of the expected period during which the event of Force Majeure will persist; and (ii) promptly take all reasonable steps to cure its inability to perform as a result of the event of Force Majeure; in which case the number of days set out in the applicable Section(s) listed in this Section 10.2 shall be extended to a date, that in the Purchaser's opinion, acting reasonably, is a reasonable period of time after there has ceased to be such an event of Force Majeure.

## **ARTICLE 11 REMEDIES**

### **11.1 Remedies**

- (a) If a Seller Event of Default occurs and is continuing, then the Purchaser shall have the right, upon written notice to the Seller, at its option and in addition to and not in substitution for any other remedies available to it hereunder or at law or equity, to take any or all of the following actions:
  - (i) demand all cash amounts and deliveries of Refined Gold owing by the Seller to the Purchaser;

- (ii) terminate this Agreement by written notice to the Seller and, without limitation, demand all losses suffered or incurred as a result of the occurrence of such Seller Event of Default and termination, including the Net Present Value of the Remaining Purchase; and
  - (iii) enforce the Documents.
- (b) The Parties hereby acknowledge and agree that: (i) the Purchaser will be damaged, and may be irreparably harmed, by a Seller Event of Default; (ii) it would be impracticable or extremely difficult to fix the actual damages resulting from a Seller Event of Default; (iii) any sums payable with respect to a Seller Event of Default are in the nature of liquidated damages, and not a penalty, and are fair and reasonable; and (iv) the amount payable in accordance with Article 11 with respect to a Seller Event of Default represents a reasonable estimate of fair compensation for the losses that may reasonably be anticipated from such Seller Event of Default in full and final satisfaction of all amounts owed in respect of such Seller Event of Default.
- (c) For greater certainty, if the Purchaser does not exercise its right under this Article, the obligations of the Seller or any successors following a realization hereunder shall continue in full force and effect.

## **ARTICLE 12 ADDITIONAL PAYMENT TERMS**

### **12.1 Payments**

All payments of funds due by one Party to another under this Agreement shall be made in Canadian Dollars, or as otherwise indicated herein, and shall be made by wire transfer in immediately available funds to the bank account or accounts designated by the receiving Party in writing from time to time.

### **12.2 Taxes**

- (a) All deliveries of Refined Gold and cash and all payments and transfers of property of any kind under this Agreement or any other Document by any Seller Group Entity shall be made without any deduction, withholding, charge, levy or imposition for or on account of any Taxes, except as required by Applicable Laws. Subject to Section 12.2(b), all Taxes, if any, as are required by Applicable Laws to be deducted, withheld, charged, levied, collected or imposed on any Person on or with respect to any such delivery, payment or transfer made by any Seller Group Entity shall be paid by the Seller and remitted to the appropriate Governmental Authority in accordance with Applicable Laws. The Seller shall also be required to deliver or pay to the Purchaser or on its behalf, in addition to such delivery, payment or transfer, such additional delivery, payment or transfer as is necessary to ensure that the net amount received by the Purchaser (net of any such Taxes, including any Taxes required to be deducted, withheld, charged, levied, collected or imposed on any such additional amount) equals the full amount that the Purchaser would have received had no such deduction, withholding, charge, levy, collection or imposition been required.
- (b) Notwithstanding Section 12.2(a), the Seller shall not be responsible for any Excluded Taxes imposed or collected by any jurisdiction in respect of deliveries of Refined Gold,

cash or payments and transfers of property of any kind made by a Seller Group Entity pursuant to this Agreement or any other Document.

- (c) In the event that any new Taxes are implemented, or there shall occur any revision in, implementation of, amendment to or interpretation by the relevant Governmental Authority or courts having competent jurisdiction of any existing Taxes, in each case that has an adverse effect on any of the Parties or any of their Affiliates in respect of the transactions contemplated by this Agreement, the Seller and Purchaser agree that they shall negotiate in good faith with each other to amend this Agreement so that the Parties and their Affiliates are no longer adversely affected by any such enactment, revision, implementation, amendment or interpretation, as the case may be; provided that any amendment to this Agreement shall not have any adverse effect on the Seller or its Affiliates on the one hand, or the Purchaser or its Affiliates on the other hand.
- (d) If the Purchaser should receive any tax credit for Taxes paid by the Seller under this Section 12.2, provided that such credit result in a cash refund or a reduction of Taxes that the Purchaser would otherwise be required to pay that are Excluded Taxes, then such credit shall, pursuant to Section 12.4, be set off against the Section 2.2 delivery obligation of the Seller. If the applicable Governmental Authority subsequently requires the Purchaser to repay such credit, the Seller shall forthwith repay the Purchaser the amount that was set-off against the Section 2.2 delivery obligations, plus any interest imposed by the Governmental Authority.

### **12.3 Overdue Payments**

Any payment or delivery not made by a Party on or by any applicable payment or delivery date referred to in this Agreement shall incur interest from the due date until such payment or delivery is paid or made in full at a per annum rate equal to 10% from and after the due date, calculated, compounded and paid monthly in arrears.

### **12.4 Set-Off**

Any dollar amount or Refined Gold owing by a Party to any other Party under this Agreement may be set off against any dollar amount or Refined Gold owed to such Party by the other Party. Any amount of Refined Gold set off and withheld against any non-payment by a Party shall be valued at the Gold Market Price as of the first trading day that such amount of Refined Gold became payable to such Party and shall result in a reduction in an amount of Refined Gold otherwise to be delivered by that number of ounces equal to the dollar amount set off divided by the Gold Market Price as of the day such dollar amount first became payable.

## **ARTICLE 13 RIGHT OF FIRST REFUSAL AND BOARD NOMINATIONS**

### **13.1 Right of First Refusal**

- (a) At any time during the Term, and provided that the Purchaser (or any Affiliate of the Purchaser) owns not less than 10% of the Shares of the Seller, on a partially-diluted basis (including the Warrants convertible into shares of the Seller held by the Purchaser or its Affiliate), if the Seller receives a bona fide offer from a Person, in writing, to engage in any non-equity financing, whether private or public (a "**Financing**"), for the purpose of

further developing the Seller's legal interest in any mine, including either or all of the Clavos Properties or the Onaman Properties, and which the Seller wishes to accept (each a "**Third Party Offer**"), the Seller shall not enter into such Financing without first providing the Purchaser with the option to provide such Financing in accordance with the procedures set out in this Article 13.

- (b) Upon receipt of the Third Party-Offer, the Seller shall immediately give notice of such Third Party Offer to the Purchaser and provide the Purchaser with all the terms and conditions of such Third Party Offer, including any term sheet or equivalent document delivered to the Seller as part of the Third Party Offer.
- (c) If the Purchaser wishes to exercise its option to provide the Financing to the Seller on substantially the same terms as the Third Party Offer (the "**Option**"), it must provide the Seller with written notice of its desire to exercise the Option ("**Option Notice**") within 30 days of the Purchaser's receipt of the Third Party Offer, failing which the Purchaser shall be deemed to have elected not to exercise the Option.
- (d) If the Purchaser delivers the Option Notice as prescribed under 13.1(c), it shall have 30 days after delivery of the Option Notice to present the Seller with a fully committed and credit approved offer of finance for the Financing upon terms and conditions substantially similar to those as set out in the Third Party Offer (the "**Purchaser Term Sheet**").
- (e) If the Purchaser is unable to provide the Seller with a Purchaser Term Sheet within the 30-day period contemplated in Sections 13.1(c) and 13.1(d), then the Purchaser shall be deemed to have elected not to exercise the Option.
- (f) If the Purchaser elects not to exercise the Option, the Seller may enter into a Financing with any other lender or financial institution, provided that such Financing is based on terms and conditions substantially similar to those set out in the Third Party Offer (the "**Third Party Financing**") and the funds to be advanced pursuant to the Third Party Financing are advanced within 90 days after the Purchaser is deemed to have elected not to exercise the Option.

### **13.2 Board of Director Designees**

- (a) At any time during the Term, and provided that the Purchaser owns not less than 10% of the Shares of the Seller, on a partially-diluted basis (including the Warrants convertible into shares of the Seller held by the Purchaser or its Affiliate), the Purchaser shall be entitled to designate one designee who shall act as a non-executive director of the Board of the Seller (the "**Board Designee**"). As at the Execution Date, and subject to delivery to the Seller by the Board Designees of consents to act as directors and required personal information forms, the appointments of the Board Designee shall take effect forthwith. Such Board Designee shall be entitled to receive competitive and substantially similar compensation as any other Board member.
- (b) The Seller shall provide notice to the Purchaser at least 20 Business Days prior to the date on which proxy solicitation materials are to be mailed and the Purchaser shall advise the Seller of the identity of any Board Designee at least ten Business Days prior to the date on which proxy solicitation materials are to be mailed (as advised by the Seller to the Purchaser) for the purposes of any meeting of shareholders of the Seller at which directors of the Seller are to be elected. If the Purchaser does not advise the Seller of the

identity of any Board Designee prior to such deadline, then the Purchaser will be deemed to have nominated its incumbent nominee(s).

- (c) If any Board Designee ceases to serve as a director of the Seller, whether due to such Board Designee's death, disability, resignation or removal, then the Seller shall cause the Board to appoint as soon as practicable, in compliance with its constating documents, a replacement Board Designee designated by the Purchaser in accordance with this Agreement to fill the vacancy created by such death, disability, resignation or removal.

### **13.3 Management to Endorse and Vote**

- (a) The Seller agrees that, in respect of every general or special meeting of the shareholders of the Seller at which the election of directors to the Board is considered, and at every reconvened meeting following an adjournment thereof or postponement thereof, management of the Seller shall:
  - (i) recommend the Board Designee of the Purchaser identified in the proxy materials for election to the Board;
  - (ii) not do any act or thing that would reasonably be expected to circumvent the election of the Board Designee; and
  - (iii) vote those Shares of the Seller in respect of which management holds an effective discretionary proxy in favour of the election of the Board Designee to the Board at every such meeting.

### **13.4 Board of Director Committees**

So long as the Purchaser is entitled to nominate a Board Designee pursuant to this Agreement, such Board Designee shall be considered by the Board to serve on one or more committees of the Board, subject to eligibility and qualifying criteria of the applicable Canadian securities exchange and securities law requirements.

### **13.5 Directors' Liability Insurance**

The Board Designee shall be entitled to the benefit of any directors' liability insurance or indemnity to which other directors of the Seller are entitled.

## **ARTICLE 14 GENERAL**

### **14.1 Disputes and Arbitration**

Any dispute, controversy or claim arising out of or relating to this Agreement or the breach, termination or validity thereof which has not been resolved by the Parties within the time frames specified herein (or where no time frames are specified, within 15 days after the delivery of written notice by either Party of such dispute, controversy or claim) shall be referred to the Chief Executive Officer of each of the Seller and the Purchaser for prompt resolution. Any such dispute, controversy or claim which cannot be resolved by the Chief Executive Officers within 15 days after it has been so referred to them hereunder, including the determination of the scope or applicability of this Agreement to arbitrate, shall be settled by binding arbitration, and any Party may so refer such dispute, controversy or claim to binding arbitration.

Such referral to binding arbitration shall be to a single arbitrator (the “**Arbitrator**”) pursuant to the *Arbitration Act*, S.O. 1991, c. 17, with the language of the arbitration being English and the seat of arbitration being Toronto, Canada. The determination of the Arbitrator on all issues or matters submitted to the Arbitrator for resolution shall be conclusive, final and binding upon the Parties and the costs of such arbitration shall be as determined by the arbitrators. Judgment on the award may be entered in any court having jurisdiction. This Section 14.1 shall not preclude the Parties from seeking provisional remedies in aid of arbitration from a court of competent jurisdiction. The Parties covenant and agree that they shall conduct all aspects of such arbitration having regard at all times to expediting the final resolution of such arbitration.

#### **14.2 Further Assurances**

Each Party shall execute all such further instruments and documents and do all such further actions as may be necessary to effectuate the documents and transactions contemplated in this Agreement, in each case at the cost and expense of the Party requesting such further instrument, document or action, unless expressly indicated otherwise.

#### **14.3 Survival**

The following provisions shall survive termination of this Agreement: 5.3 (for a period of 24 months), Section 6.6; Section 9.3; Section 11.1; Article 12, Section 14.1; Section 14.3; Section 14.5; Section 14.6; Section 14.8; Section 14.9; Section 14.10; Section 14.11; Section 14.12; Section 14.13 and Section 14.14, and such other provisions of this Agreement as are required to give effect thereto.

#### **14.4 No Joint Venture**

Nothing herein shall be construed to create, expressly or by implication, a joint venture, mining partnership, commercial partnership, agency relationship, fiduciary relationship, or other partnership relationship between the Purchaser and any Seller Group Entity.

#### **14.5 Governing Law**

This Agreement shall be governed by and construed under the laws of the Province of Ontario and the federal laws of Canada applicable therein (without regard to its laws relating to any conflicts of laws). The United Nations Vienna Convention on Contracts for the International Sale of Goods shall not apply to this Agreement.

#### **14.6 Notices**

Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be sufficiently given if delivered personally (including by courier service) or if sent by facsimile or sent by electronic mail in PDF format addressed as follows:

If to the Purchaser:

CRH Funding II Pte. Ltd.  
10 Changi Business Park Central 2  
#05-01 HansaPoint  
Singapore 486030

Attention: Andrew Wehrley  
Email: andrew.wehrley@cartesiangroup.com

with copies to (which shall not constitute notice):

Cartesian Capital Group  
505 Fifth Ave., 15th Floor  
New York, NY 10017

Attention: Peter Yu  
Email: peter.yu@cartesiangroup.com  
Facsimile: (212) 461-6366

and

Stikeman Elliott LLP  
5300 Commerce Court West  
199 Bay Street  
Toronto, ON M5L 1B9

Attention: Justin Parappally  
Email: jparappally@stikeman.com  
Facsimile: (416) 869-5591

If to the Seller:

Sage Gold Inc.  
200 University Avenue  
Toronto, ON M5H 3C6

Attention: Nigel Lees  
Email: nlees@sagegoldinc.com  
Facsimile: (416) 260-2243

with a copy to (which shall not constitute notice):

Peterson McVicar LLP  
390 Bay Street, Suite 806  
Toronto, ON M5H 2Y2

Attention: James McVicar  
Email: jmcvicar@petelaw.com  
Facsimile: (647) 259-1785

Any such notice or other communication given in accordance with this Section 14.6, if delivered personally as aforesaid shall be deemed to have been validly and effectively given on the date of such delivery if such date is a Business Day and such delivery is received before 4:00 p.m. at the place of delivery; otherwise it shall be deemed to be validly and effectively given on the next following Business Day. Any notice or communication which is transmitted by facsimile transmission as aforesaid shall be deemed to have been validly and effectively given on the date of transmission if such day is a Business Day and such transmission is received before 4:00 p.m. at the place of receipt; otherwise it shall be deemed to have been validly and effectively given on the next following Business Day. Any notice which is provided by electronic mail shall be followed by a copy of such notice delivered personally (including by courier service) or by facsimile transmission to the address noted above in (a). For clarity, notice delivered by electronic mail shall be deemed to have been validly and effectively given on the date of the electronic mail transmission if such day is a Business Day and such transmission is sent before 4:00 p.m. at the place of receipt; otherwise it shall be deemed to have been validly and effectively given on the next following Business Day.

Any Party may at any time change its address for service from time to time by notice given in accordance with this Section 14.6.

#### **14.7 Press Releases**

The Parties shall jointly plan and co-ordinate, and shall cause their respective Affiliates to jointly plan and coordinate, any public notices, press releases, and any other publicity concerning the entering into of this Agreement and none of the Parties nor their respective Affiliates shall act in this regard without reasonable prior consultation with the other Parties, unless such disclosure is required to meet timely disclosure obligations of such Parties or their respective Affiliates under Applicable Laws in circumstances where prior consultation with the other Parties is not practicable, and a copy of such disclosure shall be provided to the other Parties at such time as it is made publicly available.

#### **14.8 Amendments**

This Agreement may not be changed, amended or modified in any manner, except pursuant to an instrument in writing signed on behalf of each of the Parties.

#### **14.9 Beneficiaries**

This Agreement is for the sole benefit of the Parties and their successors and permitted assigns and nothing herein is intended to or shall confer upon any other Person any legal or equitable right, benefit or remedy of any nature or kind whatsoever under or by reason of this Agreement.

#### **14.10 Entire Agreement**

This Agreement and the other Documents together constitute the entire agreement between the Parties with respect to the subject matter hereof and cancel and supersede any prior understandings and agreements between the Parties with respect thereto. There are no representations, warranties, terms, conditions, opinions, advice, assertions of fact, matters, undertakings or collateral agreements, express, implied or statutory, with respect to the subject matter hereof and thereof by or between the Parties (or by any of their respective employees, directors, officers, representatives or agents) other than as expressly set out in this Agreement or the Security Documents or the other Documents.

#### **14.11 Waivers**

Any waiver of, or consent to depart from, the requirements of any provision of this Agreement shall be effective only if it is in writing and signed by the Party giving it, and only in the specific instance and for the specific purpose for which it has been given. No failure on the part of any Party to exercise, and no delay in exercising, any right under this Agreement shall operate as a waiver of such right. No single or partial exercise of any such right shall preclude any other or further exercise of such right or the exercise of any other right.

#### **14.12 Assignment**

- (a) This Agreement shall enure to the benefit of and shall be binding on and enforceable by the Parties and their respective successors and permitted assigns.
- (b) Subject to Section 14.12(d), the Purchaser shall be entitled at any time and from time to time, to Transfer, including by way of syndication or granting of participation rights, any of its rights and obligations under this Agreement or any other Document without the consent of the Seller.
- (c) Except as provided herein, but subject to Section 14.12(d), neither the Seller nor any Seller Guarantor shall Transfer, in whole or in part, any of their respective rights or obligations under this Agreement or any other Document, as applicable, without the prior written consent of the Purchaser.
- (d) This Agreement may not be assigned in whole or in part to any Restricted Person.

#### **14.13 Severability**

If any provision of this Agreement is determined to be invalid, illegal or unenforceable in any respect, all other provisions of this Agreement shall nevertheless remain in full force and effect and the Parties shall negotiate in good faith to replace any provision that is invalid, illegal or unenforceable with such other valid provision that most closely replicates the economic effect and rights and benefits of such impugned provision.

#### **14.14 Costs and Expenses**

Except as otherwise provided for in this Agreement, all costs and expenses incurred by a Party shall be for its own account, provided that the Seller shall be liable to reimburse to the Purchaser up to US\$100,000 for a portion of the Purchaser's due diligence, travel, and professional advice expenditures for the transactions contemplated by this Agreement and the other agreements referenced herein. The Parties agree that such reimbursement shall be effected by a reduction in the actual amount paid as part of the First Tranche, but treating such reduction as actually delivered to the Seller.

#### **14.15 Counterparts**

This Agreement may be executed in one or more counterparts, and by the Parties in separate counterparts, each of which when executed shall be deemed to be an original, but all of which taken together shall constitute one and the same agreement. Delivery of an executed counterpart of a signature page to this Agreement by telecopy or electronic scan shall be effective as delivery of a manually executed counterpart of this Agreement.

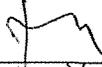
*[Remainder of page left intentionally blank. Signature page follows.]*



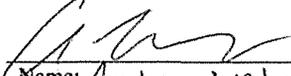
**IN WITNESS WHEREOF** the Parties have executed this Agreement as of the day and year first written above.

**CRH FUNDING II PTE. LTD.**

Per:

  
Name: Peter Yu  
Title: Director

Per:

  
Name: Andrew Wehrley  
Title: Director

**SAGE GOLD INC.**

Per:

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

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

**CRH FUNDING II PTE. LTD.**

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

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

**SAGE GOLD INC.**

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

## SCHEDULE "A"

### DESCRIPTION OF CLAVOS PROPERTIES AND ONAMAN PROPERTIES (WITH MAPS)

#### Clavos Properties

The Clavos Project is the area located in the area located about 46km northeast of Timmins, Ontario and centred at 514000E and 5384000N in NAD83, Zone 10, which consists of the following contiguous patented, unpatented claims and mining leases:

#### a) Patented Mining Claims

Claim	Parcel	PIN	Rights	Township	Size (ha)	Royalty
CP2433	22364sec	65362-302	SRO	German	73.963	1, 4, 5, 6, 10,11
CP2433	5748sec	65362-535	SMR	German	73.963	1, 4, 5, 6, 10,11
CP4990	22593sec	65362-305	MRO	German	75.588	9,11
CP6499	23144sec	65362-311	MRO	German	60.782	1,2,5,6,11
CP6633	22093sec	65362-154	SRO	German	53.806	11
CP6634	17709sec	65362-298	SRO	German	71.333	11
CP6638	17713sec	65362-299	SRO	German	84.314	11
CP6640	22095sec	65363-158	SRO	Stock	63.893	11
L37438	9238sec	65363-199	MRO	Stock	15.653	1, 5, 6,11
L37438	17702SEC	65363-186	SRO	Stock	15.653	1, 5, 6,11
L37439	9239sec	65363-200	MRO	Stock	16.045	1, 5, 6,11
L37439	17703SEC	65363-180	SRO	Stock	16.045	1, 5, 6,11
L37440	9250sec	65363-184	SMR	Stock	14.864	1,5,6,10,11
L37441	9249sec	65363-182	SMR	Stock	15.205	1,5,6,11
L37442	9240sec	65363-185	SMR	Stock	17.578	1,5,6,11
L37443	9243sec	65363-181	SMR	Stock	18.392	1,5,6,11
L37454	9241sec	65363-201	MRO	Stock	17.01	1,5,6,11
L37454	17704SEC	65363-187	SRO	Stock	17.01	1,5,6,11
L37455	9242sec	65363-202	MRO	Stock	16.988	1,5,6,11
L37455	17705SEC	65363-179	SRO	Stock	16.988	1,5,6,11
L42605	12837sec	65363-211	MRO	Stock	17.613	1,5,6,11
L42605	17715SEC	65363-211	SRO	Stock	17.613	1,5,6,11
L42606	12821sec	65363-212	MRO	Stock	14.364	1,5,6,11
L42607	12821sec	65363-212	MRO	Stock	17.618	1,5,6,11
L42608	12822sec	65363-183	SMR	Stock	17.035	1,5,6,11
L42609	12821sec	65363-212	MRO	Stock	16.536	1,5,6,11
L42729	12822sec	65363-183	SMR	Stock	16.56	1,5,6,10,11
L43304	12821sec	65363-212	MRO	Stock	15.463	1,5,6,11
L46943	12823sec	65363-246	MRO	Stock	14.517	1,5,6,11
L46944	12823sec	65363-246	MRO	Stock	16.182	1,5,6,11
L476976	8724sec	65363-218	MRO	Stock	71.02	1,5,6,11

Claim	Parcel	PIN	Rights	Township	Size (ha)	Royalty
NP2564	667sec	65362-297	SMR	German	67.14	8,11
NP5348	1184sec	65362-551	MRO	German	67.37	1,3,5,6,11
P28977	12819sec	65362-300	SMR	German	21.54	1,5,6,11
P28978	12815sec	65362-301	MRO	German	16.46	1,5,6,11
P28979	12815sec	65362-301	MRO	German	18.00	1,5,6,11
P28980	12815sec	65362-301	MRO	German	19.08	1,5,6,11
P28981	12815sec	65362-301	MRO	German	17.80	1,5,6,11
P29600	12819sec	65362-300	SMR	German	19.78	1,5,6,10,11
P29601	12819sec	65362-300	SMR	German	22.34	1,5,6,11
P29602	20811 sec	65362-154	MRO	German	17.04	1,5,6,11
P29603	12814sec	65362-507	MRO	German	17.88	1,5,6,11
P29604	12817sec	65362-505	MRO	German	15.05	1,5,6,11
P29604	17711SEC	65362-156	SRO	German	15.05	1,5,6,11
P29605	12818sec	65362-504	MRO	German	15.51	1,5,6,11
P29605	17712SEC	65362-157	SRO	German	15.51	1,5,6,11
P29895	12819sec	65362-300	SMR	German	20.66	1,5,6,10,11
P30683	12816sec	65362-506	MRO	German	16.94	1,5,6,11
P30683	22094SEC	65362-155	SRO	German	16.94	1,5,6,11
P30684	12814sec	65362-507	MRO	German	18.89	1,5,6,11
P30685	12814sec	65362-507	MRO	German	18.18	1,5,6,11
P32143	12820sec	65362-503	MRO	German	19.53	1,5,6,11
P32144	12820sec	65362-503	MRO	German	20.47	1,5,6,11
TP738	10046sec	65363-188	SRO	Stock	33.38	n/a
TP738	5901sec	65363-189	SRO	Stock	31.04	n/a
TP748	6281sec	65363-223	MRO	Stock	62.46	1,5,6,11

**b) Mining Leases**

Claim	Lease #	Parcel	PIN	Rights	Township	Royalty
P723319	106835	1763LC	65363-0001	MRO	German	1,5,6,11
P723320	106835	1763LC	65363-0001	MRO	German	1,5,6,11
P724525	106835	1763LC	65363-0567	MRO	Stock	1,5,6,11
P724526	106835	1763LC	65363-0567	MRO	Stock	1,5,6,11

**c) Unpatented Mining Claims**

Claim	Parcel	PIN	Rights	Township	Size (ha)	Royalty
1212954	UPC	n/a	MRO	German	66.82	11

1212957	UPC	n/a	MRO	German	16.99	11
1213708	UPC	n/a	MRO	German	65.10	11
3010679	UPC	n/a	MRO	Stock	260.39	7,11
3010680	UPC	n/a	MRO	Stock	33.21	7,11
3010703	UPC	n/a	MRO	Stock	51.37	7,11
3011212	UPC	n/a	MRO	Stock	16.77	11
3011213	UPC	n/a	MRO	Stock	17.07	11
3011216	UPC	n/a	MRO	Stock	15.40	11
3011217	UPC	n/a	MRO	Stock	16.21	11
3011221	UPC	n/a	MRO	German	86.80	11
1245302	UPC	n/a	MRO	Clergue	129.27	11
1245323	UPC	n/a	MRO	Clergue	95.62	11
1245324	UPC	n/a	MRO	Clergue	64.51	11

### Royalties

1	Jubilee Gold Inc.	0-4% NSR	1983
2 <sup>i</sup>	Kangas	\$1.00/ton	1984
3 <sup>i</sup>	Lahti	\$0.50/ton	1984
4 <sup>i</sup>	Suhonen	50c/ton	1987
5 <sup>ii</sup>	Teck Resources Inc.	2% NSR or 1%NSR+ \$1.50/t	1995
6	Nighthawk North (subsidiary of "UTX").	NSR is dissolved	1996
7	Robitaille et al	2% NSR	2003
8	Desrochers	2% NSR	2004
9	Osisko (previous owner Teck)	2% NSR	2005
10	Franco Nevada	1% NSR	2007
11	St Andrew	2% NSR	2016

i. Royalties referred to as "2, 3 and 4" are subject to adjustments using the same percentage of change as to the Canadian Price Index. Base 1984 being 1981=100

ii. If Payable under the "Clavos" agreement royalty is 2%NSR if not then royalty is 1% NSR +\$1.50/ton

### Definitions:

MRO	Mineral Rights Only
SMR	Surface Rights Only
NSR	Net Smelter Return
nil	No royalties
UPC	Unpatented Mining Claim



**Onaman Properties**

**a) Patented Mining Claims**

Claim	Parcel	PIN	Rights	Township	Holder	Royalty
KK442	6476	62504-1745	MRO	Coughlan Lake Area	Sage Gold Inc.	
KK2238	7129	62504-1549	MRO	Coughlan Lake Area	Sage Gold Inc.	
KK2239	7130	62504-1551	MRO	Coughlan Lake Area	Sage Gold Inc.	
KK2242	7040	62504-1555	MRO	Coughlan Lake Area	Sage Gold Inc.	
KK2272	7321	62504-1550	MRO	Coughlan Lake Area	Sage Gold Inc.	
KK2273	7322	62504-1552	MRO	Coughlan Lake Area	Sage Gold Inc.	
KK2274	7323	62504-1553	MRO	Coughlan Lake Area	Sage Gold Inc.	
KK2275	7324	62504-1554	MRO	Coughlan Lake Area	Sage Gold Inc.	

**b) Mining Leases**

Claim	Lease #	Parcel	PIN	Rights	Township	Royalty
<u>CLM 401</u>	109010	3387	62504-2007	MRO	Coughlan Lake Area and Castlewood Lake Area	1
<u>CLM 402</u>	109011	3386	62504-1660	MRO	Castlewood Lake Area	1

**c) Unpatented Mining Claims**

Claim Number	PIN	Rights	Township / Area	Holder	Royalty
<u>4210030</u>	n/a	MRO	Castlewood Lake Area	Sage Gold Inc.	1
<u>4210031</u>	n/a	MRO	Castlewood Lake Area	Sage Gold Inc.	1
<u>4210033</u>	n/a	MRO	Castlewood Lake Area	Sage Gold Inc.	1
<u>4210034</u>	n/a	MRO	Castlewood Lake Area	Sage Gold Inc.	1

			Area		
<u>1233877</u>	n/a	MRO	Coughlan Lake Area	Sage Gold Inc.	1
<u>1233888</u>	n/a	MRO	Coughlan Lake Area	Sage Gold Inc.	1
<u>3007228</u>	n/a	MRO	Coughlan Lake Area	Sage Gold Inc.	1
<u>3008410</u>	n/a	MRO	Coughlan Lake Area	Sage Gold Inc.	1
<u>3008411</u>	n/a	MRO	Coughlan Lake Area	Sage Gold Inc.	1
<u>3011520</u>	n/a	MRO	Coughlan Lake Area	Sage Gold Inc.	1
<u>3011813</u>	n/a	MRO	Coughlan Lake Area	Sage Gold Inc.	1
<u>3011826</u>	n/a	MRO	Coughlan Lake Area	Sage Gold Inc.	1
<u>3011873</u>	n/a	MRO	Coughlan Lake Area	Sage Gold Inc.	1
<u>4210032</u>	n/a	MRO	Coughlan Lake Area	Sage Gold Inc.	1
<u>4210043</u>	n/a	MRO	Coughlan Lake Area	Sage Gold Inc.	1
<u>4210044</u>	n/a	MRO	Coughlan Lake Area	Sage Gold Inc.	1

### Royalties

1 Holt and Cox 3% NSR precious metals/2% NSR base metals 2006



## SCHEDULE "B"

### SELLER REPRESENTATIONS AND WARRANTIES

The Seller hereby represents and warrants to the Purchaser as follows:

- (a) the Seller and each Seller Guarantor is a company or corporation duly incorporated, the Seller is validly existing and in good standing under the laws of its jurisdiction of incorporation and each Seller Guarantor is validly existing under the laws of their respective jurisdictions of incorporation, and each of the Seller and the Seller Guarantors are up-to-date in respect of all filings and the payment of all fees required by law to maintain their respective existence.
- (b) all requisite corporate acts and proceedings have been done and taken by the Seller and the Seller Guarantors, including obtaining all requisite board of directors' approvals, with respect to entering into this Agreement and the other Documents, as applicable, and performing their respective obligations hereunder and thereunder;
- (c) the Seller and each Seller Guarantor has the requisite corporate power, capacity and authority to enter into this Agreement and the other Documents, as applicable, and to perform their respective obligations hereunder and thereunder;
- (d) the entering into of this Agreement and the other Documents, as applicable, and the exercise of the rights and performance of the obligations hereunder and thereunder by the Seller and the Seller Guarantors, respectively, do not and will not: (i) conflict with or result in a default under any agreement, mortgage, bond or other instrument to which the Seller or either Seller Guarantor is a party or which is binding on their respective assets; (ii) conflict with the Seller's or the Seller Guarantors' constating or constitutive documents; or (iii) conflict with or violate any Applicable Laws; in each case other than a conflict, default or violation that would not reasonably be expected to have a Material Adverse Effect on the Seller or the Seller Guarantors or the performance by the Seller or the Seller Guarantors of their respective obligations under this Agreement or any other Document;
- (e) no Approvals are required to be obtained by the Seller or any Seller Guarantor in connection with the execution and delivery or the performance by them of this Agreement or the other Documents as applicable, or the transactions contemplated hereby and thereby;
- (f) this Agreement and the other Documents have each been duly and validly executed and delivered by the Seller and the Seller Guarantors, as applicable, and each constitutes a legal, valid and binding obligation of the Seller and the Seller Guarantors, as applicable, enforceable against the Seller and the Seller Guarantors in accordance with their respective terms, subject to the usual exceptions for bankruptcy and insolvency and general equitable principles;
- (g) none of the Seller nor the Seller Guarantors has suffered an Insolvency Event and none of the Seller nor the Seller Guarantors is now aware of any circumstance which, with notice

or the passage of time, or both, would give rise to an Insolvency Event with respect to the Seller or the Seller Guarantors;

- (h) the Seller and the Seller Guarantors have conducted and are conducting their respective business in compliance in all material respects with Applicable Laws, including anti-money laundering, corrupt practices and environmental laws;
- (i) there are no actions, suits, proceedings, investigations or claims commenced or, to the knowledge of the Seller or the Seller Guarantors, threatened or contemplated, which, individually or in the aggregate: (i) that could reasonably be expected to have a Material Adverse Effect; and/or (ii) would prevent or limit, restrict or impair in any material respect the ability of the Seller or the Seller Guarantors to perform their respective obligations under this Agreement or the other Documents, as applicable;
- (j) as of the date hereof, the only jurisdictions (or districts within such jurisdictions) in which the Seller or any Seller Guarantor has any place of business, has any tangible personal property and/or real property are as set forth herein;
- (k) the Seller and the Seller Guarantors are entering into and performing their respective obligations under this Agreement and the other Documents, as applicable, on their own account and not as trustee or a nominee of any other Person;
- (l) the Seller is the legal and beneficial owner of the properties, business and assets referred to as being owned by it in the Disclosure Record;
- (m) no portion of the Disclosure Record contains an untrue statement of a material fact as of the date thereof, nor does it omit to state a material fact which, at the date thereof, was required to have been stated or was necessary to prevent a statement that was made from being false or misleading in the circumstances in which it was made;
- (k) as of the Execution Date, and subject to the completion of the purchase and sale contemplated in the Kirkland Agreement which shall occur no later than contemporaneously with the closing of the Equity Subscription, the Seller has good and sufficient title, clear of any title, defect or Encumbrance, other than Permitted Encumbrances, to an undivided 100% interest in the Clavos Properties, including, without limitation, fee simple estate of and in real property, leases, easements, rights of way, permits or licenses from landowners or authorities permitting the use of land by the Seller necessary to permit the operation of its business and the Clavos Project;
- (l) as of the Execution Date, the Seller has good and sufficient title, clear of any title, defect or Encumbrance, other than Permitted Encumbrances, to an undivided 100% interest in the Onaman Properties, including, without limitation, fee simple estate of and in real property, leases, easements, rights of way, permits or licenses from landowners or authorities permitting the use of land by the Seller necessary to permit the operation of its business and the Onaman Project;
- (m) any and all material agreements that give right to ownership rights with respect to the Properties are in full force and effect, unamended and no material default exists thereunder and the Seller has complied with all material obligations in respect of the Properties under all Applicable Laws;

- (n) the Seller's right, title and interest in and to the Properties is not subject to any material adverse claim;
- (o) save and except for pursuant to this Agreement and as set forth in Schedules "A" and "F" hereto, no Person has any agreement, option, right of first refusal or right, title, interest, reservation, claim, rent, royalty or right capable of becoming an agreement, option, right of first refusal or right, title, interest, reservation, claim, rent, royalty in or to the Properties or the gold produced from the Properties;
- (p) all mining concession maintenance fees, recording fees, and Taxes, and all other amounts have been paid when due and payable and all other actions and all other obligations as are required to maintain the Properties in good standing have been taken and complied with in all respects.
- (q) the Seller has obtained or has been issued all material Approvals (including surface and access rights) necessary for the construction, development, and mining of the Properties as contemplated in the Operating Plan existing as of the date this representation;
- (r) the map attached hereto in Schedule "A" accurately depicts the location of the Properties;
- (s) save and except for the Permitted Encumbrances, no Person is entitled to or has been granted any royalty or other payment in the nature of rent or royalty on any Produced Gold or gold produced from any of the Properties;
- (t) none of the Sellers nor the Seller Guarantors has received any notice of any political risk control event, nor are the Seller or the Seller Guarantors aware of any pending or threatened political risk control event, against or affecting all or any part of either of the Properties;
- (u) conditions on and relating to the Properties and the surface area covered by the Properties respecting all past and current operations conducted thereon by the Seller are in compliance with all Applicable Laws, and conditions on and relating to the Properties and the surface area covered by the Properties respecting all past operations conducted thereon by Persons other than the Seller are, to the knowledge of the Seller, in compliance in all respects with all Applicable Laws;
- (v) none of the Seller nor the Seller Guarantors has been notified that they are a party to any action, suit, proceeding, investigation or claim affecting or pertaining to either of the Properties or any part thereof, except as would not reasonably be expected to have a Material Adverse Effect; and to the knowledge of the Seller, no such action, suit, proceeding, investigation or claim is threatened or outstanding;
- (w) none of the Seller, the Seller Guarantors, nor either of the Properties, is subject to any outstanding judgment, order, writ, injunction or decree that has or would reasonably be expected to have a Material Adverse Effect;
- (x) each of the Seller and each Seller Guarantor has filed all material Tax returns and Tax reports required by law to have been filed by it and has paid all Taxes thereby shown to be owing, except any such Taxes which are being diligently contested in good faith by appropriate proceedings and for which adequate reserves in accordance with IFRS shall have been set aside on its books;

- (y) the Seller has no Subsidiaries;
- (z) the property and assets of each of the Seller and the Seller Guarantors are insured with insurers, in amounts, for risks and otherwise which are reasonable in relation to such property and assets (subject to the amount of such deductibles as are reasonable and normal in the circumstances) against loss or damage, and there has been no default or failure by the party or parties insured under the provisions of such policies of insurance maintained which could reasonably be expected to result in a Material Adverse Effect;
- (aa) none of the representations and warranties contained herein contain any untrue statement of material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading and there is no fact which is known to the Seller or the Seller Guarantors and which has not been disclosed herein or otherwise by the Seller to the Purchaser which would reasonably be expected to have a Material Adverse Effect on the transactions contemplated hereby;
- (bb) as of the Execution Date, to the best of the Seller's knowledge, (i) there is no claim or the basis for any claim that might or could adversely affect the right of the Seller to use, transfer or otherwise exploit the Minerals and the Properties, and (ii) the Seller has no responsibility or obligation to pay any commission, royalty, licence fee or similar payment to any Person with respect to the Minerals or the Properties, other than Permitted Encumbrances, and the fees to maintain the mining claims (patented or unpatented), mining leases and other similar rights in the Minerals and the Properties in good standing;
- (cc) the Transferred Mining Leases represent all of the mining leases of the Seller and all of the mining leases required or used in connection with the Project, and such Transferred Mining Leases are not material to the Project;
- (dd) Exhibit I sets out all material claims, leases and patents of the Seller or an Affiliate or Seller Group Entity required to operate the Properties, the Clavos Project and the Onaman Project, including the Permits. The Seller (and any Affiliate or Seller Group Entity, as applicable) has complied with all terms of the material claims, leases and patents set out in Exhibit I; and
- (ee) to the Seller's knowledge, after having made due inquiry, the Jubilee Royalty, Teck Royalty, Franco Nevada Royalty and St. Andrew Royalty are the only operative royalties relevant to the orebody that is the subject of the Detailed Mine Plan.

EXHIBIT I

MATERIAL CLAIMS, LEASES AND PATENTS

Claim	Parcel	PIN	Rights	Township	Size (ha)
CP2433	22364sec	65362-302	SRO	German	73.963
CP2433	5748sec	65362-535	SMR	German	73.963
L37440	9250sec	65363-184	SMR	Stock	14.864
L37441	9249sec	65363-182	SMR	Stock	15.205
L37442	9240sec	65363-185	SMR	Stock	17.578
L37443	9243sec	65363-181	SMR	Stock	18.392
L42608	12822sec	65363-183	SMR	Stock	17.035
L42729	12822sec	65363-183	SMR	Stock	16.56
P28977	12819sec	65362-300	SMR	German	21.54
P29600	12819sec	65362-300	SMR	German	19.78
P29601	12819sec	65362-300	SMR	German	22.34
P29895	12819sec	65362-300	SMR	German	20.66

EXHIBIT II  
NON-MATERIAL MINING LEASES

Claim	Lease #	Parcel	PIN	Rights	Township
P723319	106835	1763LC	65363-0001	MRO	German
P723320	106835	1763LC	65363-0001	MRO	German
P724525	106835	1763LC	65363-0567	MRO	Stock
P724526	106835	1763LC	65363-0567	MRO	Stock

Claim	Lease #	Parcel	PIN	Rights	Township
<u>CLM</u> <u>401</u>	109010	3387	62504-2007	MRO	Coughlan Lake Area and Castlewood Lake Area
<u>CLM</u> <u>402</u>	109011	3386	62504-1660	MRO	Castlewood Lake Area

## SCHEDULE "C"

### PURCHASER REPRESENTATIONS AND WARRANTIES

The Purchaser hereby represents and warrants to the Seller and to any Seller Guarantors as follows:

- (a) it is a corporation duly incorporated and validly existing under the laws of its jurisdiction of incorporation and is up to date in respect of all filings required by law to maintain its existence;
- (b) all requisite corporate acts and proceedings have been done and taken by it, including obtaining all requisite board of directors' approvals, with respect to entering into this Agreement and performing its obligations hereunder;
- (c) it has the requisite corporate power, capacity and authority to enter into this Agreement and to perform its obligations hereunder;
- (d) this Agreement and the exercise of its rights and performance of its obligations hereunder do not and will not: (i) conflict with or result in a default under any agreement, mortgage, bond or other instrument to which it is a party or which is binding on its assets; (ii) conflict with its constating or constitutive documents; or (iii) conflict with or violate any Applicable Laws; in each case other than a conflict, default or violation that would not reasonably be expected to have a material adverse effect on the Purchaser or the performance of its obligations under this Agreement;
- (e) no Approvals are required to be obtained by it in connection with the execution and delivery or the performance by it of this Agreement or the transactions contemplated hereby;
- (f) this Agreement has been duly and validly executed and delivered by it and constitutes a legal, valid and binding obligation of it, enforceable against it in accordance with its terms, subject to the usual exceptions for bankruptcy and insolvency and general equitable principles;
- (g) it has not suffered an Insolvency Event and it is not now aware of any circumstance which, with notice or the passage of time, or both, would give rise to an Insolvency Event with respect to it;
- (h) it is not controlled by any Restricted Person; and
- (i) it is entering into and performing its obligations under this Agreement on its own account and not as trustee or a nominee of any other Person.

## SCHEDULE "D"

### **SECOND TRANCHE CLOSING DATE CONDITIONS**

#### Operational Conditions:

- (a) The Purchaser shall have completed a subsequent site inspection on the Clavos Properties, and be satisfied that there is no new information or developments since the previous site inspection which could result in a material adverse change in regards to the Project.
- (b) The Seller shall have successfully completed mine dewatering at Clavos to the 75 meter level and established survey points by 31 January 2017.

#### Contractual Conditions:

- (a) As of the Second Tranche Closing Date: (i) all of the representations and warranties made by the Seller and each Seller Guarantor in this Agreement or any other Document, as applicable, shall be true and correct in all material respects (or in all respects in the case of representations and warranties that are qualified by materiality) on and as of such date as if made on such date; (ii) no Seller Event of Default (or an event which with notice or lapse of time or both would become a Seller Event of Default) shall have occurred and be continuing under this Agreement or the other Documents or would result from the advance of the Second Tranche; (iii) the Seller and each Seller Guarantor shall have performed all obligations that are required to be performed by it prior to the Second Tranche Closing Date; and (iv) the advance of the Second Tranche will not violate any Applicable Law; and the Seller and each Seller Guarantor shall have delivered to the Purchaser a certificate dated as of the Second Tranche Closing Date of a senior officer of each, in form and substance satisfactory to the Purchaser, acting reasonably, confirming the foregoing;
- (b) (i) The Material Agreements and (ii) all other Documents required to be delivered pursuant to this Agreement, shall remain in full force and effect, unamended and no breach shall have occurred and be continuing in respect of any of such documents;
- (c) No provision of Applicable Laws or any Governmental Authority having competent jurisdiction shall prohibit the closing or adversely affect in any material respect the Purchaser's rights or benefits under this Agreement, and no judgment, injunction, order or decree issued by any Governmental Authority having competent jurisdiction shall prohibit the closing or adversely affect in any material respect the Purchaser's rights or benefits under this Agreement or the other Documents;
- (d) The Seller shall have delivered to the Purchaser such other certificates and documents as the Purchaser may require, acting reasonably; and
- (e) The Seller shall have delivered or paid to the Purchaser any and all amounts owing pursuant hereto at such time.

**SCHEDULE "E"**

**SECURITY DOCUMENTS**

1. Debenture granted by the Seller, in the amount of \$43,000,000, charging all of its freehold interests in each of the Project and the Onaman Project, and all present and after-acquired personal property of the Seller, subject to no prior Encumbrances other than Permitted Encumbrances.
2. Deed of Charge granted by the Seller.
3. Debenture granted by the Seller, in the amount of \$43,000,000, charging all of its mining leases (as set out in Exhibit II herein) in each of the Project and the Onaman Project, and all present and after-acquired personal property of the Seller, subject to no prior Encumbrances other than Permitted Encumbrances.

## SCHEDULE "F"

### PERMITTED ENCUMBRANCES

#### PPSA REGISTRATIONS

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##### **A. Royal Bank of Canada**

PPSA registration (registration number 20071019 1949 1531 6168) in connection with a \$10,000 GIC in favour of RBC with a security interest over the Seller's 'accounts' and 'other'.

#### ROYALTY INTERESTS

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##### **B. Clavos Properties**

The royalty interests relating to the Clavos Properties disclosed in Schedule "A" pursuant to the following royalty agreements:

###### ***Osisko Royalty***

"Aur Royalty Agreement" between St. Andrew Goldfields Ltd. and Aur Resources Inc. dated February 1, 2005, pursuant to which St. Andrew Goldfields Ltd. agreed to pay Aur Resources Inc. a 2% net smelter returns royalty from the sale of minerals produced from certain patented lands in German Township, Ontario registered as disposition # MK022593 and from mineral lease #106864 dated March 6, 1995 in respect of certain lands in Wilkie Township, Ontario. Teck Resources Inc., the successor to Aur Resources Inc., transferred its rights under the Aur Royalty to Osisko Gold Royalties Ltd. effective November 16, 2015.

###### ***Teck Royalty***

"Yukon Royalty Agreement" between Eduard Ludwig ("Ludwig") and 11126 Yukon Ltd. dated October 31, 1995, pursuant to which Ludwig or his successors acquired certain patented mining claims; a mining lease and surface rights as set forth in the Yukon Agreement and, in part payment therefor, 11126 Yukon Ltd. was granted the royalties as set forth in the Yukon Agreement, being either a two percent (2.0%) net smelter returns royalty or a one percent (1%) net smelter returns royalty plus a tonnage royalty of \$1.50 per tonne. St. Andrew Goldfields Ltd. is the successor in interest to Ludwig and Teck Resources is the successor to 11126 Yukon Ltd.

###### ***Jubilee Royalty***

"Clavos Royalty Agreement" dated August 18, 1983 between Clavos Porcupine Mines Ltd. and Bruneau Mining Corporation (NPL), as amended by agreements between Clavos Porcupine Mines Ltd., Bruneau Mining Corporation (NPL) and Canamax Resources Inc. dated as of July 31, 1984, September 25, 1984, September 30, 1992 and December 30, 1992, pursuant to which Clavos Porcupine Mines Ltd. was granted the royalties set forth in the Clavos Agreement (collectively the "Clavos Royalty") in respect of certain lands identified in the Clavos Agreement.

Clavos Porcupine Mines Ltd. granted to Bruneau Mining Corporation (NPL) an option to purchase a 100% interest in the lands underlying Clavos Royalty pursuant to an option agreement dated August 18, 1983 (the "Clavos Option Agreement"). The interest in all rights under the Clavos Option Agreement was transferred in two portions to Canamax Resources Inc. pursuant to agreements between Bruneau Mining Corporation and Canamax Resources Inc. dated July 31, 1984 and December 30, 1992.

Subsequently, Canada Tungsten Inc. (formerly Canamax Resources Inc.) granted to 11126 Yukon Ltd. an option to purchase all of its beneficial rights under the Clavos Option Agreement pursuant to an option and transfer agreement (the "CTI Option Agreement") dated July 28, 1993. 11126 Yukon Ltd. exercised its option under the CTI Option Agreement and granted an option to acquire an undivided 100% interest in the Clavos Properties to Eduard Ludwig pursuant to an option agreement (the "Ludwig Option") dated October 31, 1995. Eduard Ludwig assigned all of his rights under the Ludwig Option to Nighthawk North Exploration Inc., which assignment was confirmed by letter from Nighthawk to Yukon dated February 21, 1996; United Tex-Sol Mines Inc. subsequently acquired Nighthawk North Exploration Inc.'s interests in the Ludwig Option pursuant to an option agreement dated October 1, 1996. St. Andrew Goldfields Ltd. is a successor to United Tex-Sol Mines Inc.

#### ***Franco Nevada Royalty***

"Newmont Royalty Agreement" dated October 1, 2006 between St. Andrew Goldfields Ltd. and Newmont Canada Limited, pursuant to which St. Andrew Goldfields Ltd. agreed to pay Newmont Canada Limited a one percent (1.0%) net smelter returns royalty (the "Newmont Royalty") from the sale of minerals produced from certain properties defined in Newmont Agreement. Newmont Canada Limited subsequently assigned all of its right, title and interest in Newmont Royalty and the Newmont Agreement to Franco-Nevada Corporation by way of assignment effective December 20, 2007.

#### ***Kangas Royalty***

"Kangas Royalty Agreement" dated August 31, 1984, between Paavo Kangas and Anna Irene Kangas, and Canamax Resources Inc. St Andrew Goldfields Ltd. is the successor in interest to Canamax Resources Inc.

#### ***Lahti Royalty***

"Lahti Royalty Agreement" dated July 31, 1984, between Jack Lahti and Canamax Resources Inc. St Andrew Goldfields Ltd. is the successor in interest to Canamax Resources Inc.

#### ***Suhonen Royalty***

"Suhonen Royalty Agreement" dated July 31, 1984, between Olga Suhonen and Canamax Resources Inc. St Andrew Goldfields Ltd. is the successor in interest to Canamax Resources Inc.

***Robitaille Royalty***

“Robitaille Royalty Agreement” dated April 14, 2003, between Robert Robitaille, Douglas Lalonde and Mike Caron, and St Andrew Goldfields Ltd.

***Desrochers Royalty***

“Desrochers Royalty Agreement” dated February 18, 2004 between Joey Desrochers and St Andrew Goldfields Ltd.

***St. Andrew Royalty***

“St Andrew Royalty Agreement” dated November 17, 2016 between St Andrew Goldfields Ltd. and Sage Gold Inc.

**C. Onaman Properties**

The royalty interest relating to the Onaman Properties disclosed in Schedule “A” is pursuant to the following agreement:

***Holt and Cox Royalty***

“Holt and Cox Royalty Agreement” dated May 3, 2006 between Sage Gold Inc. and Lyle Holt and Nolan Cox.

**TIMBER RIGHTS**

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- A. A notice under section 71 of the Land Titles Act, registered as Instrument No.CB107158, that Timmins Forest Products Ltd. (the “Timmins Forest Notice”) has an unregistered estate, right, interest or equity in the title to the freehold properties having PINs: PIN 65362-0155 (LT), PIN 65362-0156 (LT), PIN 65362-0157 (LT), PIN65362-0298 (LT), PIN 65362-0299 (LT),PIN 65363-0159 (LT), PIN 65363-0179(LT), PIN 65363-0180 (LT), PIN 65363-0181 (LT), PIN 65363-0182 (LT), PIN65363-0183 (LT), PIN 65363-0184 (LT), PIN 65363-0185 (LT), PIN 65363-0186(LT), PIN 65363-0187 (LT), PIN 65363-0188 (LT) and PIN 65363-0189 (LT).
- B. A notice under section 71 of the Land Titles Act, registered as Instrument No. CB59120, that 1051989 Ontario Inc. acquired certain timber rights (the “Timber Rights Notice”) in the title to the freehold properties having PINs: PIN 65362-0297(LT) and PIN 65362-0535 (LT).

**OTHER ENCUMBRANCES**

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**A. Gold Supply Agreement**

Gold Supply Agreement dated August 9, 2012 between Sage Gold Inc. and Waterton Global Value L.P., as amended.

**B. Estate of Knuttila**

The debts of the estate of Knuttila, Matt, as registered against the Freehold Property having PIN 65362-0311.

**C. Spousal Interest**

A spousal interest in the Freehold Property having PIN 65362-0535, as identified in Instrument No. C386773.

## SCHEDULE "G"

### THIRD TRANCHE CLOSING DATE CONDITIONS

#### Operational Conditions:

- (a) The Seller shall have successfully completed mine dewatering at Clavos.
- (b) Mine dewatering at Clavos has not resulted in any violation of the Seller's environmental compliance as required by site-specific permits, as well as provincial and federal legislation.
- (c) Confirmation of mine stability after initial mine rehabilitation work.
- (d) The Seller shall have successfully completed sufficient definition drilling to support a production decision.
- (e) The Purchaser shall have completed a subsequent site inspection on the Clavos Properties, and be satisfied that there is no new information or developments since the previous site inspection which could result in a material adverse change in regards to the Project.
- (f) The Seller shall have appointed a mine manager for the Project, satisfactory to the Purchaser.

#### Contractual Conditions:

- (a) As of the Third Tranche Closing Date: (i) all of the representations and warranties made by the Seller and each Seller Guarantor in this Agreement or any other Document, as applicable, shall be true and correct in all material respects (or in all respects in the case of representations and warranties that are qualified by materiality) on and as of such date as if made on such date; (ii) no Seller Event of Default (or an event which with notice or lapse of time or both would become a Seller Event of Default) shall have occurred and be continuing under this Agreement or the other Documents or would result from the advance of the Third Tranche; (iii) the Seller and each Seller Guarantor shall have performed all obligations that are required to be performed by it prior to the Third Tranche Closing Date; and (iv) the advance of the Third Tranche will not violate any Applicable Law; and the Seller and each Seller Guarantor shall have delivered to the Purchaser a certificate dated as of the Third Tranche Closing Date of a senior officer of each, in form and substance satisfactory to the Purchaser, acting reasonably, confirming the foregoing;
- (b) (i) The Material Agreements and (ii) all other Documents required to be delivered pursuant to this Agreement, shall remain in full force and effect, unamended and no breach shall have occurred and be continuing in respect of any of such documents;
- (c) No provision of Applicable Laws or any Governmental Authority having competent jurisdiction shall prohibit the closing or adversely affect in any material respect the Purchaser's rights or benefits under this Agreement, and no judgment, injunction, order or decree issued by any Governmental Authority having competent jurisdiction shall prohibit the closing or adversely affect in any material respect the Purchaser's rights or benefits under this Agreement or the other Documents;
- (d) The Security Document listed in item 3 of Schedule "E" shall have been registered, filed or recorded in Ontario, and all actions shall have been taken, that may be prudent or necessary to preserve, protect or perfect the security interest of the Seller under such Security Document;
- (e) The Seller shall have delivered to the Purchaser such other certificates and documents as the

Purchaser may require, acting reasonably; and

(f) The Seller shall have delivered or paid to the Purchaser any and all amounts owing pursuant hereto at such time.

Ancillary Conditions:

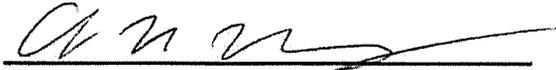
(a) The Seller shall have received the requisite consent of the MNDM to: (i) the transfer of the Transferred Mining Leases in favour of the Seller (excluding those relating to, or in connection with, the Onaman Properties); and (ii) the charging of the Transferred Mining Leases in favour of the Purchaser.

**EXHIBIT " B "**

*referred to in the Affidavit of*

**ANDREW WEHRLEY**

*Sworn July 10, 2018*



State of New York     )

)     ss.:

County of New York    )

On this 10<sup>th</sup> day of July 2018 A.D. personally came before me, a Notary Public in and for said State duly commissioned and sworn, Andrew Wehrley known to me personally to be such persons who executed such instrument, and acknowledged to me that such instrument was in his own proper handwriting, and that his act of executing and delivering such instrument was duly authorized.



Kathleen Hegierski, Notary  
01HE6155794 (Qualified in New York County)

KATHLEEN HEGIERSKI  
NOTARY PUBLIC-STATE OF NEW YORK  
No. 01HE6155794  
Qualified in New York County  
My Commission Expires November 20, 2018

INVESTMENT AGREEMENT

THIS AGREEMENT is made this 17th day of November, 2016

BETWEEN:

SAGE GOLD INC., a company incorporated under the laws of the Province of Ontario and having an address at 200 University Avenue, Suite 1301, Toronto, Ontario, M5H 3C6,

(the "Corporation")

AND:

CRH MEZZANINE PTE. LTD., a company incorporated under the laws of Singapore and having an address at 10 Changi Business Park Central 2, #05-01 Hansapoint, Singapore 486030,

(the "Investor")

WHEREAS:

- A. The Corporation and CRH Funding II Pte. Ltd. ("CRH"), a wholly-owned subsidiary of the Investor, are proposing to enter into a gold prepayment agreement (the "Gold Prepayment Agreement") pursuant to which CRH will have the right to receive a certain percentage of the gold produced by the Corporation, subject to an aggregate minimum and maximum amount of gold, in exchange for an advance cash payment to the Corporation of \$9.65 million;
- B. Concurrently with and conditional on the Corporation and CRH entering into the Gold Prepayment Agreement, the Investor is proposing to make an equity investment in the Corporation in the aggregate amount of \$1.85 million on the terms and conditions set forth in this Agreement;

NOW, THEREFORE, THIS AGREEMENT WITNESSES that in consideration of, and in reliance on, the premises, representations, warranties, covenants and agreements set forth in this Agreement, the parties hereby agree as follows:

ARTICLE 1  
INTERPRETATION

1.1 **Definitions.** In this Agreement, unless otherwise provided:

- (a) "Agreement" means this investment agreement, together with any amendments hereto or restatements hereof;
- (b) "Applicable Laws" means all laws, statutes, codes, ordinances, decrees, rules, regulations, by-laws or written policies, judicial, arbitral, administrative, ministerial, departmental or regulatory judgments, orders, decisions, rulings or awards, including general principles of common and civil

law, and conditions of any grant of approval, permission, authority or license of any court, Governmental Authority or statutory body or regulatory body (including the TSXV) applicable to the Investment and includes, without limitation, the Securities Laws;

- (c) **“Arbitrator”** has the meaning ascribed thereto in Section 6.6;
- (d) **“Block Sale”** has the meaning ascribed thereto in Section 2.3(a);
- (e) **“Board”** means the board of directors of the Corporation, as constituted from time to time;
- (f) **“Business Day”** means any day, other than a Saturday, Sunday or statutory holiday, on which the chartered banks in Toronto, Ontario are open for business;
- (g) **“Clavos Project”** has the meaning given to that term in the Gold Prepayment Agreement;
- (h) **“Clavos Project Assets”** has the meaning given to that term in the Gold Prepayment Agreement;
- (i) **“Clavos Properties”** has the meaning given to that term in the Gold Prepayment Agreement;
- (j) **“Closing”** has the meaning ascribed thereto in Section 5.1;
- (k) **“Closing Time”** means 3:00 p.m. (Toronto time) on November 17th, 2016, or such other time and date as the Corporation and the Investor may agree upon;
- (l) **“Common Shares”** means the common shares in the capital of the Corporation which are listed on the TSXV on the date hereof under the symbol “SGX”;
- (m) **“Control”, “Controlled” or “Controls”** means, with respect to any non-corporate entity, the right to directly or indirectly conduct the affairs of the entity, and, in relation to a corporation:
  - (i) the right to cast a majority of the votes which may be cast at a general meeting of the shareholders of that corporation; or
  - (ii) the right to elect or appoint, directly or indirectly, a majority of the directors of that corporation;
- (n) **“CRH”** has the meaning ascribed thereto in the recitals;
- (o) **“Designated Securities”** has the meaning ascribed thereto in Section 2.4(b);
- (p) **“Disclosure Documents”** means all information regarding the Corporation (and its predecessors) that is, or becomes, publicly available on SEDAR or otherwise available to the public, including the Financial Statements, press releases, material change reports, prospectuses, information circulars and technical reports;
- (q) **“Financial Statements”** means the audited consolidated financial statements of the Corporation for the years ended September 30, 2015 and 2014 prepared in accordance with IFRS and the unaudited condensed interim consolidated financial statements of the Corporation for the three and nine months ended June 30, 2016 prepared in accordance with IFRS;

- (r) **"Gold Prepayment Agreement"** has the meaning ascribed thereto in the recitals;
- (s) **"Governmental Authority"** means any national or federal government, province, state, municipality or other political subdivision of any of the foregoing, any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to government, and any corporation or other entity owned or controlled through stock or capital ownership or otherwise by any of the foregoing;
- (t) **"IFRS"** means International Financial Reporting Standards as issued by the International Accounting Standards Board and any interpretations thereof issued by the International Financial Reporting Interpretations Committee;
- (u) **"Investment"** means the purchase by the Investor of the Purchased Securities as contemplated by this Agreement;
- (v) **"Joint Venture Agreement"** has the meaning ascribed to that term in the Gold Prepayment Agreement;
- (w) **"KGI"** has the meaning ascribed to that term in the Gold Prepayment Agreement;
- (x) **"Kirkland Agreement"** has the meaning ascribed to that term in the Gold Prepayment Agreement;
- (y) **"Material Adverse Effect"** means any change, fact, event, circumstance or state of being which could reasonably be expected to have a material and adverse effect (actual or anticipated, whether financial or otherwise) on the business, affairs, operations, properties, assets, liabilities (contingent or otherwise), capital, prospects, results of operations or condition (financial or otherwise) of the Corporation;
- (z) **"New Shares"** means Common Shares, including securities convertible into or exchangeable for Common Shares, issued or to be issued by the Corporation from treasury following the Closing;
- (aa) **"Ownership Limitation"** has the meaning ascribed thereto in Section 2.4(a);
- (bb) **"PCMLTFA"** means the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act (Canada)*;
- (cc) **"Person"** means any individual, corporation, partnership, trustee, trust or unincorporated association, joint venture, syndicate, sole proprietorship, executor, administrator or other legal representative, Governmental Authority, authority or entity, however designated or constituted;
- (dd) **"Private Placement"** has the meaning ascribed thereto in Section 2.4(d);
- (ee) **"Proportionate Share"** means that percentage that (i) the number of Common Shares then held by the Investor and the number of Common Shares that would be held by the Investor if the Special Warrants were exercised represents as a percentage of (ii) the total number of Common Shares then issued and outstanding and the number of Common Shares that would be held by the Investor if the Special Warrants were exercised;

- (ff) **“Purchased Securities”** means the Purchased Units and the Purchased Special Warrants;
- (gg) **“Purchased Special Warrants”** means the 7,800,000 Special Warrants subscribed for by the Investor hereunder;
- (hh) **“Purchased Units”** means the 10,700,000 Units subscribed for by the Investor hereunder;
- (ii) **“Qualified Equity Investment”** means a public or non-public offering by the Corporation of New Shares solely for cash, provided that none of the following shall constitute a Qualified Equity Investment:
  - (i) the issuance of New Shares pursuant to any stock purchase plan, stock ownership plan, stock option plan or other similar equity-compensation plan where New Shares are being issued or offered to employees, officers, consultants or directors of the Corporation;
  - (ii) the issuance of New Shares in connection with the conversion or exercise of options or warrants of the Corporation outstanding on the date hereof;
  - (iii) The issuance of New Shares in connection with a *pro rata* rights offering conducted in accordance with National Instrument 45-106 – Prospectus Exemptions;
  - (iv) The issuance of New Shares for consideration other than cash pursuant to a merger, business combination, amalgamation, mineral property acquisition or similar transaction approved by the Board and provided that the number of New Shares issued in reliance on this section do not exceed 15% of the issued and outstanding Common Shares in any rolling twelve- month period;
  - (v) the issuance of New Shares in connection with any share split, share dividend, or recapitalization by the Corporation;
  - (vi) the issuance of New Shares pursuant to this Agreement, including without limitation, the issuance of Purchased Securities in accordance with Section 2.1 and Section 2.5; and
  - (vii) provided the Gold Prepayment Agreement has been terminated, the issuance of New Shares to any lending institutions in connection with any bona fide bank debt or other non-equity financing approved by the Board.
- (jj) **“Reporting Jurisdictions”** means Ontario, British Columbia and Alberta;
- (kk) **“Schedules”** has the meaning ascribed thereto in Section 1.3 hereof;
- (ll) **“Securities Laws”** means, as applicable, the securities laws, regulations and rules, and the blanket rulings and policies and written interpretations of, and multilateral or national instruments adopted by, the securities regulatory authorities of the Reporting Jurisdictions or, as the context may require, any one or more of the Reporting Jurisdictions, as well as the rules and policies of the TSXV, and the securities legislation and published policies of each other jurisdiction the securities laws of which are applicable to the Investment;

- (mm) **"Special Warrant"** means a special warrant of the Corporation with each special warrant entitling the holder thereof to acquire one Unit for no additional consideration;
- (nn) **"Special Warrant Certificate"** means a special warrant certificate in the form attached as Schedule A hereto;
- (oo) **"Subscription Price"** has the meaning ascribed thereto in Section 2.1 hereof;
- (pp) **"Tax"** or **"Taxes"** means all federal, provincial, state, municipal, foreign and other taxes (including, without limitation, income taxes, sales taxes, payroll taxes, excise taxes, value added taxes, capital taxes, property taxes, and production, severance and similar taxes and assessments) or any other tax of any kind whatsoever, and includes all penalties, additions, interest and fines with respect thereto;
- (qq) **"TSXV"** means the TSX Venture Exchange;
- (rr) **"Unit"** means one (1) Common Share and one (1) Warrant;
- (ss) **"United States"** means the United States of America, its territories and possessions, any State of the United States and the District of Columbia;
- (tt) **"U.S. Person"** has the meaning set forth in Rule 902(k) of Regulation S under the U.S. Securities Act. Without limiting the foregoing, but for greater clarity in this Agreement, a U.S. Person includes, subject to the exclusions set forth in Regulation S, (1) any natural person resident in the United States, (2) any partnership or corporation organized or incorporated under the laws of the United States, (3) any estate or trust of which any executor, administrator or trustee is a U.S. Person, (4) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated, or (if an individual) resident in the United States, and (5) any partnership or corporation organized or incorporated under the laws of any non-U.S. jurisdiction which is formed by a U.S. Person principally for the purpose of investing in securities not registered under the U.S. Securities Act, unless it is organized or incorporated, and owned, by U.S. Accredited Investors who are not natural persons, estates or trusts;
- (uu) **"U.S. Securities Act"** means the United States *Securities Act of 1933*, as amended;
- (vv) **"Warrant"** means a common share purchase warrant of the Corporation with each common share purchase warrant entitling the holder thereof to purchase one Warrant Share for an exercise price of \$0.1575 per Warrant Share for a period of 36 months from Closing;
- (ww) **"Warrant Certificate"** means a warrant certificate in the form attached as Schedule B hereto;
- (xx) **"Warrant Share"** means one (1) Common Share issuable in exercise of one (1) Warrant;
- (yy) **"Waterton"** has the meaning ascribed to that term in the Gold Prepayment Agreement;
- (zz) **"Waterton Credit Agreement"** has the meaning ascribed to that term in the Gold Prepayment Agreement; and
- (aaa) **"Waterton Loan"** has the meaning ascribed to that term in the Gold Prepayment Agreement;

**1.2 Interpretation.**

- (a) Words (including defined terms) using or importing the singular number include the plural and vice versa, words importing one gender only shall include all genders, and words importing persons in this Agreement shall include individuals, partnerships, corporations and any other entities, legal or otherwise;
- (b) The headings used in this Agreement are for ease of reference only and shall not affect the meaning or the interpretation of this Agreement;
- (c) All accounting terms not defined in this Agreement shall have the meanings generally ascribed to them under IFRS;
- (d) The phrases “to the knowledge of”, “to the best knowledge of”, or “of which they are aware”, or other similar expressions limiting the scope of any representation, warranty, acknowledgement, covenant or statement made by a party to this Agreement, means that such party has reviewed all records, documents and other information currently in their possession or under their control which would be regarded as reasonably relevant to the matter and has, where applicable, made appropriate enquiries of the senior officers of the Corporation; and
- (e) Unless otherwise specified, all references to the symbol “\$” are to lawful money of Canada.

**1.3 Schedules.** The following schedules attached to this Agreement (the “Schedules”) shall form part of this Agreement:

Schedule A	-	Form of Special Warrant Certificate
Schedule B	-	Form of Warrant Certificate
Schedule C	-	TSXV Form 4C – Corporate Placee Registration Form

**ARTICLE 2  
SUBSCRIPTION**

**2.1 Subscription the Purchased Securities.** Upon the terms and subject to the conditions set forth in this Agreement, the Investor agrees to subscribe for and purchase from the Corporation at the Closing Time the following:

- (a) 10,700,000 Units at a price of \$0.10 per Unit; and
  - (b) 7,800,000 Special Warrants at a price of \$0.10 per Special Warrant;
- for aggregate consideration of \$1,850,000 (the “Subscription Price”).

**2.2 Use of Proceeds.** The Corporation will use the Subscription Price solely and exclusively (i) to acquire the entirety of KGI’s 40% interest in the Clavos Project in accordance with the Kirkland Agreement, and (ii) for general working capital purposes.

### **2.3 Resale Restrictions.**

- (a) The Investor shall, and shall cause its Controlled entities to:
- (i) notify the Corporation in advance if it proposes to sell (the “**Block Sale**”) to an arm’s length third-party, such number of Common Shares or securities convertible into Common Shares (including, for greater certainty, any Special Warrants or Warrants) representing, in aggregate, greater than or equal to 5% of the total number of issued and outstanding Common Shares, calculated on a partially diluted basis and, on a commercially reasonable efforts basis, cooperate with the Corporation in order to allow the Corporation to solicit buyers for such Block Sale in an orderly manner; and
  - (ii) subject to compliance with 2.3(a)(i), use their respective commercially reasonable efforts to undertake the Block Sale in such a manner as to preserve an orderly market for the Common Shares, which could include completing off-market block sales or sales through the TSXV (or such other exchange or exchanges as the Common Shares may then be listed) in such quantities and over such periods of time such that the market price of the Common Shares is not materially adversely affected.
- (b) The covenants listed in Section 2.3(a) shall not apply in the following circumstances:
- (i) the date on which the Board agrees to a merger, plan of arrangement, amalgamation or similar transaction or the sale of all or substantially all of the assets of the Corporation with a third party, or agrees to support such a transaction, in any case which, if the transaction is successfully completed, will result in the shareholders of the Corporation holding less than 50% of the voting securities of the resulting corporation or entity; or
  - (ii) the date on which a third party makes a bona fide public announcement of a formal take-over bid to acquire not less than 50% of the outstanding Common Shares; or
  - (iii) if the Corporation provides its prior written consent.

### **2.4 Pre-emptive Rights.**

- (a) If the Corporation, at any time or from time to time, makes a Qualified Equity Investment, then the Investor shall be afforded the opportunity to acquire from the Corporation, for the same price and on the same terms as such securities are proposed to be offered to others, up to its Proportionate Share of the New Shares in accordance with the terms and conditions of this Section 2.4, provided that, subject to the next sentence, at no time either before or after the issuance of New Shares shall the number of Common Shares held by the Investor, directly or indirectly, or over which the Investor has control or direction, be greater than 19.9% of the total issued and outstanding Common Shares then outstanding (the “**Ownership Limitation**”). In the event that the Investor wishes to exercise its opportunity to acquire additional securities from the Corporation but the acquisition of all or a portion of such securities would otherwise contravene the Ownership Limitation (such portion of the securities that would contravene the Ownership Limitation referred to herein as the “**Subject Securities**”), the Corporation shall (i) afford the Investor with the opportunity to acquire such number of special warrants from the Corporation that are equal to the number of Subject Securities for the same price and on the same terms as the securities proposed to be offered to other investors (but taking into account

the Ownership Limitation), and (ii) make and obtain all necessary filings, approvals, consents and acceptances under applicable Securities Laws to give effect to the foregoing, including the approval of the TSXV. The terms of such special warrants shall be in a form and substance consistent with those set forth in the Special Warrant Certificate.

- (b) In the event the Corporation intends to make a Qualified Equity Investment that is an underwritten public offering or a private offering made to one or more financial institutions or investment dealers for resale, no later than three (3) Business Days after the initial filing of a prospectus or registration statement, as the case may be, under Securities Laws with respect to such Qualified Equity Investment or the commencement of marketing with respect thereto, the Corporation shall give the Investor written notice of its intention (including, in the case of a public offering and to the extent possible, a copy of the prospectus or registration statement filed in respect of such offering) describing, to the extent then known, the anticipated amount of securities, range of prices, timing and other material terms of such offering. The Investor shall have five (5) Business Days from the date of receipt of any such notice to notify the Corporation in writing that it intends to exercise its pre-emptive purchase rights and as to the amount of New Shares the Investor desires to purchase, up to the maximum amount calculated pursuant to Section 2.4(a) (the "**Designated Securities**"). Such notice shall constitute a non-binding indication of interest of the Investor to purchase the Designated Securities so specified at the range of prices and other terms set forth in the Corporation's notice to it. The failure of the Investor to respond during such five (5) Business Day period shall constitute a waiver of the pre-emptive rights only in respect of such offering.
- (c) If the Investor exercises its pre-emptive purchase rights provided in Section 2.4(b), the Corporation shall offer the Investor, if such Qualified Equity Investment is consummated, the Designated Securities (as adjusted to reflect the actual size of such offering when priced) at the same price as the New Shares are offered to the underwriters or initial purchasers, and shall provide written notice of such price to the Investor as soon as practicable prior to such consummation. Contemporaneously with the execution of any underwriting agreement or purchase agreement entered into between the Corporation and the underwriters or initial purchasers of such offering, the Investor shall enter into an instrument in form and substance reasonably satisfactory to the Corporation, acknowledging the Investor's binding obligation to purchase the Designated Securities to be acquired by it and containing representations, warranties and agreements of the Investor that are customary in such transactions. Any offers and sales pursuant to this Section 2.4(c) in the context of a public offering shall also be conditioned on reasonably acceptable representations and warranties of the Investor regarding its status as the type of offeree to whom a private sale can be made concurrently with a public offering in compliance with Securities Laws.
- (d) In the event the Corporation proposes to make a Qualified Equity Investment that is not an underwritten public offering or a private offering made to one or more financial institutions or investment dealers for resale (a "**Private Placement**"), the Corporation shall give the Investor written notice of its intention, describing, to the extent then known, the anticipated amount of securities, price and other material terms upon which the Corporation proposes to offer the same. The Investor shall have ten (10) Business Days from the date of receipt of any such notice to notify the Corporation in writing that it intends to exercise its pre-emptive purchase rights and as to the amount of Designated Securities the Investor desires to purchase, up to the maximum amount calculated pursuant to Section 2.4(a). Such notice shall constitute the

- binding agreement of the Investor to purchase the amount of Designated Securities so specified (or a proportionately lesser amount if the amount of New Shares to be offered in such Private Placement is subsequently reduced) upon the price and other terms set forth in the Corporation's notice to the Investor. The failure of the Investor to respond during such ten (10) Business Day period shall constitute a waiver of the pre-emptive rights only in respect of such offering.
- (e) If the Investor exercises its pre-emptive purchase rights provided in Section 2.4(d) hereof, the closing of the purchase of the Designated Securities with respect to which such right has been exercised shall be conditioned on the consummation of the Private Placement giving rise to such pre-emptive purchase rights and shall take place simultaneously with the closing of the Private Placement or on such other date as the Corporation and the Investor shall agree in writing; provided that the actual amount of Designated Securities to be sold to the Investor pursuant to its exercise of pre-emptive rights hereunder shall be reduced if the aggregate amount of New Shares sold in the Private Placement is reduced and, at the option of the Investor (to be exercised by delivery of written notice to the Corporation within ten (10) Business Days of receipt of notice of the following), shall be increased if such aggregate amount of New Shares sold in the Private Placement is increased. In connection with its purchase of Designated Securities, the Investor shall execute an instrument in form and substance reasonably satisfactory to the Corporation containing representations, warranties and agreements of the Investor that are customary for such private placement transactions.
  - (f) In the event the Investor fails to exercise its pre-emptive purchase rights provided in this Section 2.4 within the applicable five (5) Business Day or ten (10) Business Day period, as the case may be, or, if so exercised, the Investor does not consummate such purchase within the applicable period, the Corporation shall thereafter be entitled during the 90-day period following the conclusion of the applicable period to sell or enter into an agreement to sell (pursuant to which the sale of New Shares covered thereby shall be consummated, if at all, within 60 days from the date of such agreement) the New Shares not purchased pursuant to this Section 2.4 at the price and on the terms offered to the Investor. In the event the Corporation has not sold the New Shares or entered into an agreement to sell the New Shares within said 90-day period, the Corporation shall not thereafter offer, issue or sell such New Shares without first offering such securities to the Investor in the manner provided in this Section 2.4.
  - (g) The Corporation and the Investor shall cooperate in good faith to facilitate the exercise of the Investor's pre-emptive rights hereunder, including securing any required approvals or consents, in a manner that does not jeopardize the timing, marketing, pricing or execution of any offering of the Corporation's securities.
  - (h) The pre-emptive rights set forth in this Section 2.4 shall terminate on the date that the Investor ceases to own or exercise control or direction over 5% or more of the issued and outstanding Common Shares.
- 2.5 Removal of the Ownership Limitation.** The Corporation and the Investor covenant and agree that, at a mutually agreeable time following Closing (with each party acting reasonably and in good faith), the Corporation may seek approval of the removal of the Ownership Limitation at a meeting of the shareholders of the Corporation and make all necessary filings and applications to the TSXV in connection with the foregoing.

- 2.6 **Concurrent Management Participation.** The Investor hereby consents and agrees that the Corporation shall be entitled to permit Nigel Lees and/or Bill Love to make an equity investment in the Corporation on the same terms as the Investment up to an amount that would result in the subscribers maintain their current percentage ownership in the Corporation following completion of the Investment, determined on an undiluted basis.

### ARTICLE 3

#### REPRESENTATIONS, WARRANTIES, ACKNOWLEDGMENTS AND AUTHORIZATIONS

- 3.1 **Representations and Warranties of the Corporation.** By execution of this Agreement, the Corporation hereby agrees with the Investor that the Investor shall have the benefit of the representations and warranties made by the Corporation to the Investor as set forth in paragraphs (a)-(i) of Schedule "B" to the Gold Prepayment Agreement, *mutatis mutandis*. Such representations and warranties shall form an integral part of this Agreement and shall survive the closing of the purchase and sale of the Purchased Securities in accordance with Section 6.7. In addition, the Corporation represents and warrants to the Investor as of the date hereof as follows and acknowledges that the Investor is relying on such representations and warranties in connection with the transactions contemplated herein:
- (a) the execution and delivery of, and performance by the Corporation of this Agreement have been authorized by all necessary corporate action on the part of the Corporation including, without limitation, the obtaining of all necessary shareholder and director consents and approvals, in relation to the sale of Purchased Securities as herein contemplated;
  - (b) the currently issued and outstanding Common Shares are listed and posted for trading on the TSXV and no order ceasing or suspending trading in any securities of the Corporation or prohibiting the sale of the Purchased Securities or the trading of any of the Corporation's issued securities has been issued and, to the knowledge of the Corporation, no proceedings for such purpose have been threatened or are pending;
  - (c) the Corporation has not taken any action which would reasonably be expected to result in the delisting or suspension of the Common Shares on or from the TSXV and the Corporation is currently in compliance, in all material respects, with the policies of the TSXV;
  - (d) the Corporation is a "reporting issuer" under applicable Securities Laws in the Reporting Jurisdictions and is not (or will not be, as the case may be) included in a list of defaulting reporting issuers maintained by the applicable securities regulatory authorities or regulators in the Reporting Jurisdictions. In particular, without limiting the foregoing, the Corporation is in compliance at the date hereof with its obligations under applicable Securities Laws, including with respect to material changes relating to the Corporation, and no such disclosure has been made on a confidential basis and there is no material change relating to the Corporation, which has occurred and with respect to which the requisite material change report has not been filed, except to the extent that the Investment may constitute a material change;
  - (e) the form of the certificates for the Special Warrants and Warrants attached as Schedules A and B hereto, respectively, have been duly approved by the Corporation and comply with the provisions of Applicable Laws;

- (f) the Corporation has reserved and kept available out of its authorized Common Shares, solely for the purpose of this Agreement, such number of Common Shares as shall be issuable pursuant to this Agreement. The Corporation covenants that all Common Shares issuable under this Agreement shall be duly and validly issued as fully-paid and non-assessable; and
- (g) the Corporation has obtained all necessary filings, approvals, consents and acceptances of the appropriate regulatory authorities required to be made or obtained by the Corporation in connection with the sale of the Purchased Securities as herein contemplated, including the conditional approval of the TSXV.

**3.2 Representations and Warranties of the Investor.** The Investor hereby represents and warrants to the Corporation as follows and acknowledges that the Corporation is relying on such representations and warranties in connection with the transactions contemplated herein:

- (a) the Investor is duly incorporated and is validly subsisting under the laws of its jurisdiction of incorporation and has all requisite legal and corporate power and authority to execute and deliver this Agreement, to subscribe for the Purchased Securities as contemplated herein and to carry out and perform its obligations under the terms of this Agreement;
- (b) the execution and delivery of this Agreement, the performance and compliance with the terms hereof, the subscription for the Purchased Securities and the completion of the transactions described herein by the Investor will not result in any material breach of, or be in conflict with or constitute a material default under, or create a state of facts which, after notice or lapse of time, or both, would constitute a material default under any term or provision of the constating documents, bylaws or resolutions of the Investor, the Securities Laws or any other laws applicable to the Investor, any agreement to which the Investor is a party, or any judgment, decree, order, statute, rule or regulation applicable to the Investor;
- (c) the Investor has obtained all necessary consents and authorities to enable it to agree to subscribe for the Purchased Securities and to perform its obligations under this Agreement and the Investor has otherwise observed all Applicable Laws, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other Taxes due in any territory in connection with its acceptance and the Investor has not taken any action which will or may result in the Corporation acting in breach of any regulatory or legal requirements of any territory in connection with the Investment or the Investor's subscription;
- (d) the Investor is subscribing for the Purchased Securities as principal for its own account and not for the benefit of any other Person (within the meaning of Securities Laws);
- (e) the Investor is resident in the jurisdiction set out on the face page of this Agreement, and such address was not created and is not used solely for the purpose of acquiring the Purchased Securities and the Investor was solicited to purchase in such jurisdiction;
- (f) the Investor is not a U.S. Person nor subscribing for the Purchased Securities for the account of a U.S. Person or for resale in the United States, that the Purchased Securities have not been offered to the Investor in the United States and that this Agreement has not been signed in the United States;

- (g) the Investor will not offer, sell or otherwise dispose of the Purchased Securities in the United States or to a U.S. Person unless the Corporation has consented to such offer, sale or distribution and such offer, sale or disposition is made in accordance with an exemption from the registration requirements under the U.S. Securities Act and the securities laws of all applicable states of the United States or the U.S. Securities and Exchange Commission has declared effective a registration statement in respect of such securities;
- (h) the offer and sale of the Purchased Securities to the Investor was not made or solicited through or as a result of, and the distribution of the Purchased Securities is not being accompanied by any general solicitation or general advertising (as those terms are used in Regulation D in the U.S. Securities Act), including advertisements, articles, notices or other communication published in any printed public media, radio, television or telecommunications, including electronic display, or any seminar or meeting whose attendees have been invited by any general solicitation or general advertising;
- (i) the subscription for the Purchased Securities by the Investor does not contravene any of the Securities Laws in the jurisdiction in which the Investor resides and does not give rise to any obligation of the Corporation to prepare and file a prospectus or similar document or to register the Purchased Securities or to be registered with or to file any report or notice with any applicable securities regulatory authority (or authorities) or regulator or other Governmental Authority;
- (j) the funds representing the Subscription Price which will be advanced by the Investor to the Corporation hereunder will not represent proceeds of crime for the purposes of the PCMLTFA and the Investor acknowledges that the Corporation may in the future be required by law to disclose the Investor's name and other information relating to this Agreement and the Investor's subscription hereunder, on a confidential basis, pursuant to the PCMLTFA, and that, to the best of its knowledge: (i) none of the subscription funds to be provided by the Investor (A) have been or will be derived from or related to any activity that is deemed criminal under the laws of Canada, the United States of America or any other jurisdiction; or (B) are being tendered on behalf of a Person who has not been identified to the Investor; and (ii) it will promptly notify the Corporation if the Investor discovers that any of such representations ceases to be true, and to provide the Corporation with appropriate information in connection therewith;
- (k) the Investor has not received or been provided with a prospectus, an offering memorandum (including as such term is defined in the *Securities Act* (Ontario)) or any other offering document describing the business and affairs of the Corporation, and has relied solely upon the Disclosure Documents and not upon any other representation as to fact or otherwise made by or on behalf of the Corporation;
- (l) the Investor is responsible for obtaining such legal and Tax advice as it considers appropriate in connection with the execution, delivery and performance of this Agreement and the transactions contemplated under this Agreement, and that the Investor is not relying on legal or Tax advice provided by the Corporation; and
- (m) no Person has made any written or oral representations:
  - (i) that any Person will resell or repurchase the Purchased Securities; or

(ii) as to the future price or value of the Purchased Securities.

**3.3 Acknowledgements and Authorizations of the Investor.** The Investor hereby acknowledges, agrees and authorizes as follows:

- (a) no applicable securities regulatory authority (or authorities) or regulator, agency, Governmental Authority, regulatory body, stock exchange or other regulatory body has reviewed or passed on the investment merits of the Purchased Securities;
- (b) there is no government or other insurance covering the Purchased Securities;
- (c) there are restrictions on the ability of the Investor to resell the Purchased Securities and it is the responsibility of the Investor to find out what those restrictions are and to comply with them before selling any Purchased Securities;
- (d) the Corporation has advised the Investor that the Corporation is relying on an exemption or exemptions from the requirements to provide the Investor with a prospectus and to sell securities through a Person registered to sell securities under the securities legislation of the Corporation's jurisdiction and, as a consequence of acquiring securities pursuant to this exemption or exemptions, certain protections, rights and remedies provided by the Securities Laws of the Corporation's jurisdiction including statutory rights of rescission or damages, will not be available to the Investor;
- (e) It has not received, nor has it requested, nor does it have any need to receive, any offering memorandum or any other document describing the business and affairs of the Corporation, nor has any document been prepared for delivery to, or review by, the Investor in order to assist it in making an investment decision in respect of the Purchased Securities;
- (f) the Investor will consult its own legal advisors with respect to trading in the Purchased Securities when issued and with respect to the resale restrictions imposed by the Securities Laws of the jurisdiction in which the Investor resides and other applicable securities laws, and acknowledges that no representation has been made respecting the applicable hold periods imposed by the Securities Laws or other resale restrictions applicable to such securities which restrict the ability of the Investor to resell such securities, that the investor is solely responsible to find out what these restrictions are and the Investor is solely responsible (and the Corporation is not in any way responsible) for compliance with applicable resale restrictions and the Investor is aware that it may not be able to resell such securities except in accordance with limited exemptions under the Securities Laws and other applicable securities laws;
- (g) if required by applicable Securities Laws or the Corporation, the Investor will execute, deliver and file or assist the Corporation in filing such reports, undertakings and other documents with respect to the issue and/or sale of the Purchased Securities as may be required by any applicable securities regulatory authority (or authorities) or regulator, stock exchange or other regulatory authority;
- (h) the certificates or any non-certificated electronic positions representing the Purchased Securities will bear or be bound by, a legend substantially in the following form and with the necessary information inserted:

“Unless permitted under securities legislation, the holder of this security must not trade the security before **[date that is four months and a day from the closing date]**.”

Without prior written approval of the TSX Venture Exchange and compliance with all applicable securities legislation, the securities represented by this certificate may not be sold, transferred, hypothecated or otherwise traded on or through the facilities of the TSX Venture Exchange or otherwise in Canada or to or for the benefit of a Canadian resident until four months plus a day from **[date that is four months and a day from the closing date]**.”

- (i) this Agreement and the exhibits hereto require the Investor to provide certain personal information (the “**Investor Information**”) to the Corporation, that such information is being collected by the Corporation for the purposes of completing the Investment, which includes determining the Investor’s eligibility to purchase the Purchased Securities under the Securities Laws, preparing and registering certificates representing the Purchased Securities to be issued to the Investor and completing filings required by any stock exchange or securities regulatory authority;
- (j) the Investor Information may be disclosed by the Corporation to the applicable securities regulatory authority (or authorities) or regulator in Canada and may also be disclosed by the Corporation to: (i) stock exchanges, (ii) revenue or taxing authorities and (iii) any of the other parties involved in the Investment, including legal counsel, and may be included in record books in connection with the Investment;
- (k) by executing this Agreement, the Investor is deemed to be consenting to the foregoing collection, use and disclosure of the Investor Information;
- (l) Investor Information disclosed to a securities regulatory authority (or authorities) or regulator in Canada is collected by such body or bodies under the authority granted in securities legislation, and that such Investor Information is being collected for the purposes of the administration and enforcement of the securities legislation of the applicable jurisdiction; and

#### ARTICLE 4 CONDITIONS PRECEDENT TO CLOSING

- 4.1 **Investor’s Conditions Precedent to Closing.** The Investors’ obligation under this Agreement to purchase the Purchased Securities, is conditional upon (which conditions may be waived by the Investor in its sole discretion) and subject to:
- (a) the representations and warranties of the Corporation contained in this Agreement being true and correct in all material respects (or, as regards specific representations and warranties if qualified by materiality, in all respects) as at the Time of Closing, with the same force and effect as if made on and as at the Time of Closing, except for such representations and warranties which are in respect of a specific date in which case such representations and warranties shall be true and correct, in all material respects (or, as regards specific representations and warranties if qualified by materiality, in all respects), as of such date, after giving effect to the transactions contemplated by this Agreement, and the Corporation having complied with all

terms and conditions of this Agreement to be complied with by the Corporation at or prior to the Time of Closing;

- (b) the Corporation not being the subject of a cease trading order made by any applicable securities regulatory authority (or authorities) or regulator in Canada or other Governmental Authority which has not been rescinded;
- (c) the Corporation will have made and/or obtained the necessary filings, approvals, consents and acceptances of the appropriate regulatory authorities required to be made or obtained by the Corporation in connection with the sale of the Purchased Securities as herein contemplated, including the conditional approval of the TSXV;
- (d) the Corporation and CRH shall have entered into the Gold Prepayment Agreement;
- (e) the applicable parties shall have executed and delivered the Kirkland Agreement, in form and substance satisfactory to the Investor, and the same shall remain in full force and effect, unamended and no breach shall have occurred and be continuing in respect of any of such documents, and the Investor shall have received evidence of the termination of the Joint Venture Agreement (which termination, for the avoidance of doubt, will be conditional upon KGI's receipt of the funds pursuant to Section 5.3(c)(i)), in form and substance satisfactory to the Purchaser;
- (f) CRH shall have entered into a discharge and payout agreement with Waterton, in form and substance satisfactory to CRH, providing for: (i) the repayment in full of the Waterton Loan, in an amount not to exceed \$2,440,000; (ii) the termination of the Waterton Credit Agreement; (iii) the discharge of all security and release of all collateral held by Waterton to secure the obligations of CRH under the Waterton Credit Agreement;
- (g) CRH shall be satisfied with its due diligence on the Clavos Project Assets and Clavos Properties, including a site visit to the Clavos Properties;
- (h) CRH shall have received confirmation of toll-processing at a market rate for full commercial production over the life of the Project pursuant to a binding term sheet in a form satisfactory to CRH;
- (i) CRH shall have received the Detailed Mine Plan, in a form satisfactory to CRH;
- (j) all necessary Permits (including, for greater certainty, active status Permits) and First Nations relationship requirements, including consultations, required to execute the Detailed Mine Plan, including approval for change of the Project status to active, shall have been obtained or executed, as applicable; and
- (k) the Investor having received at the Time of Closing the closing deliveries set forth in Section 5.2.

**4.2 Corporation's Conditions Precedent to Closing.** The Corporation's obligation under this Agreement to issue and sell the Purchased Securities, is conditional upon (which conditions may be waived by the Investor in its sole discretion) and subject to:

- (a) the representations and warranties of the Investor contained in this Agreement being true and correct in all material respects (or, as regards specific representations and warranties if qualified by materiality, in all respects) as at the Time of Closing, with the same force and effect as if made on and as at the Time of Closing, except for such representations and warranties which are in respect of a specific date in which case such representations and warranties shall be true and correct, in all material respects (or, as regards specific representations and warranties if qualified by materiality, in all respects), as of such date, after giving effect to the transactions contemplated by this Agreement, and the Investor having complied with all terms and conditions of this Agreement to be complied with by the Investor at or prior to the Time of Closing; and
  - (b) the Corporation having received at the Time of Closing the closing deliveries set forth in Section 6.3.
- 4.3 **Failure to Satisfy Conditions Precedent at Closing Time.** The conditions precedent set forth in Sections 4.1 and 4.2 hereof are for the sole benefit of the respective party, and whether or not a condition precedent has been satisfied shall be determined by the party in its sole discretion, acting reasonably. If one or more of such conditions precedent are not satisfied on or before the Closing Time and the party fails to waive in writing strict compliance therewith, then the party shall not be obligated to complete the Investment, the Closing shall not proceed, and the Investor and the Corporation shall be released from their respective obligations under this Agreement.

## ARTICLE 5 CLOSING OF TRANSACTION

- 5.1 **Time and Place of Closing.** Subject to the terms and conditions of this Agreement, the completion of the issuance and sale of the Purchased Securities (the "Closing") shall take place at the Closing Time, or at such other date and time as agreed upon by the Investor and the Corporation, at the offices of Peterson McVicar LLP, Suite 806, 390 Bay Street, Toronto, Ontario M5H 2Y2.
- 5.2 **Corporation's Closing Deliveries.** At or prior to the Time of Closing, the Corporation shall deliver to the Investor the following:
- (a) A certificate dated the date on which such Time of Closing occurs, addressed to the Investor and signed by the Chief Executive Officer of the Corporation, certifying for and on behalf of the Corporation, and not in his personal capacity, after having made due inquiries, with respect to the following matters:
    - (i) the Corporation having complied with all the covenants, in all material respects, and satisfied all the terms and conditions of this Agreement on its part to be complied with and satisfied at or prior to such Time of Closing;
    - (ii) no order, ruling or determination having the effect of ceasing or suspending trading in any securities of the Corporation or prohibiting the sale of the Purchased Securities or any of the Corporation's issued securities having been issued, and no proceeding for such purpose, to the knowledge of such officers, being pending or threatened;

- (iii) subsequent to the date of this Agreement, there having not occurred a material change, or any change or development that could reasonably be expected to result in a Material Adverse Effect in respect of the Corporation; and
  - (iv) the representations and warranties of the Corporation contained in this Agreement, being true and correct in all material respects (or, as regards specific representations and warranties if qualified by materiality, in all respects) as at the Time of Closing, with the same force and effect as if made on and as at such Time of Closing, except for such representations and warranties which are in respect of a specific date in which case such representations and warranties shall be true and correct in all material respects (or, as regards specific representations and warranties if qualified by materiality, in all respects), as of such date, after giving effect to the transactions contemplated by this Agreement.
- (b) A Certificate of Status relating to the Corporation of recent date issued pursuant to the *Business Corporations Act* (Ontario).
  - (c) Certificates representing the Purchased Shares duly registered in the name of the Investor.
  - (d) Certificates representing the Special Warrants and Warrants in the forms appended to Schedule A and B, respectively, duly registered in the name of the Investor.
  - (e) Evidence of the conditional approval of the TSXV to the sale of the Purchased Securities as herein contemplated.
  - (f) A legal opinion by counsel to the Corporation in respect of the transactions contemplated herein in form and substance satisfactory to the Investor, acting reasonably.
  - (g) Such further certificates and other documentation from the Corporation as may be contemplated herein or as the Investor may reasonably require, provided, however, that the Investor shall request any such certificate or document within a reasonable period prior to the Time of Closing that is sufficient for the Corporation to obtain and deliver such certificate or document.

**5.3 Investor's Closing Deliveries.** At or prior to the Time of Closing, the Investor shall deliver to the Corporation (or, in the case of the wire transfer contemplated by Section 5.3(c)(i), on behalf of the Corporation), the following:

- (a) A certificate dated the date on which such Time of Closing occurs, addressed to the Investor and signed by the Chief Executive Officer of the Investor, certifying for and on behalf of the investor, and not in his personal capacity, after having made due inquiries, that at the Time of Closing, the representations and warranties of the Investor contained in this Agreement being true and correct in all material respects (or, as regards specific representations and warranties if qualified by materiality, in all respects) as at the Time of Closing, with the same force and effect as if made on and as at the Time of Closing, except for such representations and warranties which are in respect of a specific date in which case such representations and warranties shall be true and correct, in all material respects (or, as regards specific representations and warranties if qualified by materiality, in all respects), as of such date, after giving effect to the transactions contemplated by this Agreement, and the Investor having complied with all terms and

conditions of this Agreement to be complied with by the Investor at or prior to the Time of Closing.

- (b) A completed TSXV Form 4C – Corporate Placée Registration form, in the form attached hereto as Schedule C.
- (c) The Subscription Price by wire transfer of immediately available funds as follows:
  - (i) To KGI, \$1,000,000, such amount representing the entirety of the cash consideration payable to KGI for its 40% interest in the Clavos Project as required by Section 3(a) of the Kirkland Agreement; and
  - (ii) To the Corporation, the balance of the Subscription Price of \$850,000.

## ARTICLE 6 GENERAL PROVISIONS

- 6.1 **Expenses.** The fees and expenses of the parties incurred in connection with the Investment shall be dealt with in accordance with the terms of the Gold Prepayment Agreement.
- 6.2 **Time of the Essence.** Time shall be of the essence of this Agreement.
- 6.3 **Further Acts.** Each of the parties shall, at the request of the other party and at its own expense, execute and deliver any further documents and do all acts and things as that party may reasonably require in order to carry out the true intent and meaning of this Agreement.
- 6.4 **Enurement.** This Agreement shall enure to the benefit of and be binding upon the parties and their respective personal representatives, administrators, heirs, successors and permitted assigns.
- 6.5 **Governing Law.** This Agreement shall be construed and governed exclusively by the laws in force in the Province of Ontario and the laws of Canada applicable therein and, except as provided in Section 6.6 hereof, the courts of the Province of Ontario (and the Supreme Court of Canada, if necessary) shall have exclusive jurisdiction to hear and determine all disputes arising hereunder. Except as provided in Section 6.6 hereof, each of the parties to this Agreement irrevocably attorns to the jurisdiction of said courts and consents to the commencement of proceedings in such courts. This Section 6.5 shall not be construed to affect the rights of a party to enforce a judgment or award outside said province, including the right to record and enforce a judgment or award in any other jurisdiction.
- 6.6 **Arbitration.** Any dispute, controversy or claim arising out of or relating to this Agreement or the breach, termination or validity thereof which has not been resolved by the Parties within the time frames specified herein (or where no time frames are specified, within 15 days after the delivery of written notice by either Party of such dispute, controversy or claim) shall be referred to the Chief Executive Officer of each of the Corporation and the Investor for prompt resolution. Any such dispute, controversy or claim which cannot be resolved by the Chief Executive Officers within 15 days after it has been so referred to them hereunder, including the determination of the scope or applicability of this Agreement to arbitrate, shall be settled by binding arbitration, and any Party may so refer such dispute, controversy or claim to binding arbitration. Such

referral to binding arbitration shall be to a single arbitrator (the "Arbitrator") pursuant to the *Arbitration Act*, S.O. 1991, c. 17, with the language of the arbitration being English and the seat of arbitration being Toronto, Canada. The determination of the Arbitrator on all issues or matters submitted to the Arbitrator for resolution shall be conclusive, final and binding upon the Parties and the costs of such arbitration shall be as determined by the arbitrators. Judgment on the award may be entered in any court having jurisdiction. This Section 6.6 shall not preclude the Parties from seeking provisional remedies in aid of arbitration from a court of competent jurisdiction. The Parties covenant and agree that they shall conduct all aspects of such arbitration having regard at all times to expediting the final resolution of such arbitration.

- 6.7 Survival of Representations, Warranties and Covenants.** All representations and warranties contained in this Agreement shall survive the purchase and sale of the Purchased Securities and will continue in full force and effect for the benefit of the Investor and/or the Corporation, as the case may be, regardless of any subsequent disposition of the Purchased Shares or any investigation by or on behalf of the Investor with respect thereto for a period of two (2) years following the Closing, provided that the following representations and warranties shall survive indefinitely: (i) Sections 3.1(a), (e), (f) and (g) of this Agreement and (ii) Sections (a), (b), (c), (d) and (f) of Schedule "B" to the Gold Prepayment Agreement. For greater certainty, the covenants, agreements and obligations of the parties set forth in this Agreement (including pursuant to Sections 2.3, 2.4 and 2.5) shall survive the purchase and sale of the Purchased Securities until all such covenants, agreements and obligations are fully performed or satisfied in accordance with the terms thereof.
- 6.8 Severability.** The invalidity or unenforceability of any provision in this Agreement shall not affect the validity or enforceability of any other provision or part of this Agreement, and the parties hereby undertake to renegotiate in good faith any such invalid or unenforceable provision, with a view to concluding valid and enforceable arrangements as similar as possible to those contained in this Agreement.
- 6.9 Entire Agreement.** The provisions contained in this Agreement, together with those contained in the Gold Prepayment Agreement, constitute the entire agreement between the parties with respect to the subject matter thereof and supersede all prior communications, proposals, representations and agreements, whether oral or written, with respect to the subject matter thereof including the relevant terms of the binding term sheet dated September 27, 2016 between the Corporation and the Investor.
- 6.10 Notices.** Any notice or other communication to be given hereunder shall be in writing and shall, in the case of notice to the Investor, be addressed to:

CRH Mezzanine Pte. Ltd.  
10 Changi Business Park Central 2  
#05-01 Hansapoint  
Singapore 486030

Attention: Andrew Wehrley  
Email: [andrew.wehrley@cartesiangroup.com](mailto:andrew.wehrley@cartesiangroup.com)

with copies to (which shall not constitute notice):

Cartesian Capital Group  
505 Fifth Ave., 15th Floor  
New York, NY 10017

Attention: Peter Yu  
Email: peter.yu@cartesiangroup.com  
Facsimile: (212) 461-6366

In the case of notice to the Corporation shall be addressed to:

Sage Gold Inc.  
200 University Avenue  
Suite 1301  
Toronto, ON M5H 3C6

Attention: Nigel Lees, President and Chief Executive Officer  
Email: [nlees@sagegoldinc.com](mailto:nlees@sagegoldinc.com)

and each notice or communication shall be personally delivered (including by courier service) to the addressee or sent by electronic transmission to the addressee, and (i) a notice or communication which is personally delivered shall, if delivered before 5:00 p.m. on a Business Day, be deemed to be given and received on that day and, in any other case, be deemed to be given and received on the first Business Day following the day on which it is delivered; and (ii) a notice or communication which is sent by electronic transmission shall, if sent on a Business Day before 5:00 p.m., be deemed to be given and received on that day and, in any other case, be deemed to be given and received on the first Business Day following the day on which it is sent. Any Party may at any time change its address for service from time to time by notice given in accordance with this Section 6.10.

- 6.11 Waiver.** Failure by any party to this Agreement to insist in any instance upon the strict performance of any obligation contained herein shall not be construed as a waiver or relinquishment of such obligation. No waiver by any party to this Agreement of any such obligation shall be deemed to have been made unless expressed in writing and signed by the waiving party.
- 6.12 Amendments.** No term or provision of this Agreement may be amended except by an instrument in writing signed by both of the parties to this Agreement.
- 6.13 Assignment.** This Agreement becomes effective when executed by all of the parties to it. After that time, it will be binding upon and enure to the benefit of the parties and their respective successors, heirs, executors, administrators and legal representatives. This Agreement is not transferable or assignable by any party to it.
- 6.14 Counterparts.** This Agreement may be executed in several counterparts (including by means of electronic communication), each of which when so executed shall be deemed to be an original

and shall have the same force and effect as an original, and such counterparts together shall constitute one and the same instrument.

*(Remainder of page intentionally left blank)*

IN WITNESS WHEREOF the parties have signed, sealed and delivered this Agreement as of the date first written above.

CRH MEZZANINE PTE. LTD.

Per: T. Puppel  
Thomas Puppel  
Director

SAGE GOLD INC.

Per: \_\_\_\_\_  
Nigel Lees  
President and Chief Executive Officer

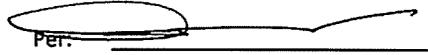
*(Signature page to Investment Agreement)*

**IN WITNESS WHEREOF** the parties have signed, sealed and delivered this Agreement as of the date first written above.

**CRH MEZZANINE PTE. LTD.**

Per: \_\_\_\_\_

**SAGE GOLD INC.**

  
Per: \_\_\_\_\_

**Nigel Lees**  
**President and Chief Executive Officer**

*(Signature page to Investment Agreement)*

SCHEDULE A

FORM OF SPECIAL WARRANT CERTIFICATE

[to be inserted]

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE MARCH 18, 2017.

WITHOUT PRIOR WRITTEN APPROVAL OF THE TSX VENTURE EXCHANGE AND EXCEPT IN COMPLIANCE WITH ALL APPLICABLE SECURITIES LEGISLATION, THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, TRANSFERRED, HYPOTHECATED OR OTHERWISE TRADED ON OR THROUGH THE FACILITIES OF THE TSX VENTURE EXCHANGE OR OTHERWISE IN CANADA OR TO OR FOR THE BENEFIT OF A CANADIAN RESIDENT UNTIL FOUR MONTHS PLUS A DAY FROM NOVEMBER 17, 2016.

Certificate Number: SW-2016-001

7,800,000 TRANSFERABLE SPECIAL WARRANTS

To Subscribe for  
Units of

SAGE GOLD INC.  
(an Ontario corporation)

THIS CERTIFIES THAT, for value received, CRH MEZZANINE PTE. LTD., a company incorporated under the laws of Singapore and having an address at 10 Changi Business Park Central 2, #05-01 Hansapoint, Singapore 486030 (the "**Holder**"), is entitled to subscribe for Seven Million, Eight Hundred Thousand (7,800,000) Units of SAGE GOLD INC. (the "**Corporation**"), subject to adjustment as herein set forth. The Special Warrants are issued pursuant to the Investment Agreement (as defined herein) and are transferable.

The following provisions shall be applicable to the Special Warrants:

1) Interpretation

1.1 Currency

All dollar amounts referred to herein shall be in lawful money of Canada.

1.2 Defined Terms

As used herein, the following words and phrases shall have the following meanings respectively:

- (a) "**business day**" means a day other than a Saturday, Sunday, any statutory holiday or any other day on which banks are generally closed in Toronto;
- (b) "**Capital Reorganization**" shall have the meaning as provided for in Section 7 hereof;
- (c) "**close of business**" means 5:00 p.m. (Toronto time);
- (d) "**Closing**" means 3:00 p.m. (Toronto time) on November 17<sup>th</sup>, 2016, or such other time and date as the Corporation and the Holder may agree upon;

- (e) "**Common Shares**" means common shares without par value in the capital of the Corporation whether issued or unissued, as constituted at the date hereof; provided that in the event of a change, reclassification, subdivision, redivision, reduction, combination, or consolidation thereof, or succession of such changes, reclassifications, subdivisions, redivisions, reductions, combinations or consolidations, and subject to adjustment, if any, having been made in accordance with the provisions of Section 7 below, "Common Shares" shall thereafter mean the shares resulting from such change, reclassification, subdivision, redivision, reduction or combination;
- (f) "**Common Share Certificate**" means the form of certificate evidencing the Common Shares;
- (g) "**director**" means a director of the Corporation for the time being and "directors" or "board of directors" means the board of directors of the Corporation or, if duly constituted and empowered, the executive committee of the board of directors of the Corporation for the time being, and reference, without further elaboration, to action by the directors means action by the directors of the Corporation as a board or action taken by the said executive committee as such committee.
- (h) "**Exercise Date**" means the date upon which the Holder exercises its subscription rights hereunder pursuant to Section 1.3 hereof, or is deemed to have exercised its subscription rights hereunder pursuant to Section 1.4 hereof, whichever shall occur earlier;
- (i) "**herein**", "**hereto**", "**hereunder**", "**hereof**", "**hereby**" and similar expressions mean or refer to this Special Warrant Certificate and not to any particular section, clause, subclause, subdivision or portion hereof, and the expressions, "**Section**", "**clause**" and "**subclause**" followed by a number or letter mean and refer to the specified Section, clause or subclause hereof;
- (j) "**Investment Agreement**" means the investment agreement dated November 17<sup>th</sup>, 2016 between the Holder and the Corporation;
- (k) "**person**" means any individual, corporation, company, partnership, association or trust;
- (l) "**Registrar and Transfer Agent**" means the Corporation or such other transfer agent as the Corporation may appoint from time to time as the registrar and transfer agent of the Special Warrants and the Common Shares;
- (m) "**shareholder**" means any shareholder of the Corporation;
- (n) "**Special Warrant**" means a special warrant of the Corporation with each special warrant entitling the holder thereof to acquire one Unit for no additional consideration;
- (o) "**Special Warrant Certificate**" means the special warrant certificate evidenced hereby;

- (p) "**Special Warrant Register**" means the register to be maintained by the Registrar and Transfer Agent pursuant to Section 8 hereof;
- (q) "**Special Warrant Subscription Form**" means the special warrant subscription form attached hereto as Schedule "A";
- (r) "**TSXV Certificate**" is the certificate in the form attached hereto as Schedule "B";
- (s) "**Unit**" means one (1) Common Share and one (1) Warrant;
- (t) "**U.S. Person**" has the meaning set forth in Rule 902(k) of Regulation S under the U.S. Securities Act. Without limiting the foregoing, but for greater clarity in this Agreement, a U.S. Person includes, subject to the exclusions set forth in Regulation S, (1) any natural person resident in the United States, (2) any partnership or corporation organized or incorporated under the laws of the United States, (3) any estate or trust of which any executor, administrator or trustee is a U.S. Person, (4) any discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated, or (if an individual) resident in the United States, and (5) any partnership or corporation organized or incorporated under the laws of any non-U.S. jurisdiction which is formed by a U.S. Person principally for the purpose of investing in securities not registered under the U.S. Securities Act, unless it is organized or incorporated, and owned, by U.S. Accredited Investors who are not natural persons, estates or trusts;
- (u) "**U.S. Securities Act**" means the United States *Securities Act of 1933*, as amended;
- (v) "**Warrant**" means a common share purchase warrant of the Corporation with each common share purchase warrant entitling the holder thereof to purchase one Warrant Share for an exercise price of \$0.1575 per Warrant Share for a period of 36 months from Closing;
- (w) "**Warrant Certificate**" means a warrant certificate in the form attached to the Investment Agreement; and
- (x) "**Warrant Share**" means one (1) Common Share issuable in exercise of one (1) Warrant.

### 1.3 Number and Gender

Words importing the singular number also include the plural and vice versa and words importing any gender include all genders.

### 1.4 Headings

The division of this Special Warrant Certificate into Sections, clauses, subclauses or other subdivisions and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation hereof.

## 2 Manner of Exercise; Limitation on Ownership; Issuance of Certificates

- (a) The Holder may exercise its right to subscribe for Units hereunder at any time, by the surrender to the Registrar and Transfer Agent of this Special Warrant Certificate, together with a completed Special Warrant Subscription Form, in the form attached hereto as Schedule "A", but without additional payment of any kind, at the principal office of the Registrar and Transfer Agent in the City of Toronto, prior to the close of business on any business day, or at such other address as the Corporation may designate by notice in writing to the Holder at the address of the Holder appearing on the Special Warrant Register. The Units subscribed for shall be and shall be deemed to be issued to the Holder as the owner of record of such Units as of the close of business on the date on which this Special Warrant Certificate shall have been so surrendered. Common Share Certificates and Warrant Certificates for the Units subscribed for, evidencing the aggregate number of Units for which the Holder is entitled to subscribe hereunder, shall be delivered to the Holder as soon as reasonably practicable and, in any event, not exceeding five business days, after the subscription right provided for herein has been so exercised.
- (b) Notwithstanding any other provision hereof, the Holder shall only be entitled to exercise this Special Warrant to the extent that the Holder will not own (together with any person acting jointly or in concert with the Holder), directly or indirectly, greater than 19.9% of the issued and outstanding Common Shares immediately following such exercise; provided, however, that such restrictions shall not apply in the event that all required shareholder and regulatory approvals have been obtained, it being understood and acknowledged that the Company has no obligation to seek to or take any steps to remove such restrictions. The Holder shall calculate the securities of the Company owned by the Holder (directly and indirectly, and together with any person acting jointly or in concert with the Holder), which calculation shall be the sole responsibility of the Holder and which the Holder shall confirm to the Company as a condition of exercise by making such declaration in the Special Warrant Subscription Form, in the form attached hereto as Schedule "A", at the time of exercise. The Holder agrees and acknowledges that the Company shall be entitled to rely upon the Holder's representations and special warranties in the Special Warrant Subscription Form, in the form attached hereto as Schedule "A", in determining the Holder's eligibility to exercise this Special Warrant and in delivering the TSXV Certificate in the form attached hereto as Schedule "B". The Holder acknowledges and understands that no exercise of Special Warrants shall be completed until the Company has determined the Holder's eligibility to exercise this Special Warrant and has delivered a TSXV Certificate, in the form attached hereto as Schedule "B", to the TSXV in respect thereof.
- (c) Common Share Certificate(s) and Warrant Certificate(s) so delivered shall be in such denomination(s) as may be requested by the Holder and shall be registered in the name of the Holder or such other name as the Holder may designate. The Corporation shall pay all taxes and other expenses and charges payable in connection with the preparation, execution and delivery of the certificate(s) pursuant to the provisions hereof, except that in case such certificate(s) shall be registered in a name or names other than the Holder of the Special Warrants or its nominee, funds sufficient to pay all stock transfer taxes which shall be payable in connection with the execution and

delivery of such certificate(s) shall be paid by the Holder to the Corporation at the time of the delivery of such certificate(s) as set out above.

3 Common Shares to be Fully Paid

The Corporation covenants and agrees that all Common Shares and Warrants issued upon the exercise of the Special Warrants hereunder will, upon issuance, be duly and validly issued as fully paid and non-assessable and free from all taxes, liens and charges with respect to the issue thereof.

4 No Fractional Shares or Warrants

The Corporation shall not be required to issue fractional Common Shares or Warrants upon the exercise or deemed exercise by the Holder of its rights hereunder and the number of Common Shares and Warrants to which the Holder is entitled upon the exercise or deemed exercise hereof, if such number includes a fraction of a Common Share or Warrant, shall be rounded up to the next whole number.

5 Common Shares and Warrant Shares to be Reserved

The Corporation shall, so long as the Special Warrants are outstanding, at all times ensure that there are a sufficient number of Common Shares and Warrant Shares authorized to be issued upon the exercise or deemed exercise of the Holder's rights hereunder to enable the Special Warrants to be exercised upon the basis and upon the terms and conditions herein provided; provided that nothing herein contained shall affect or restrict the right of the Corporation to issue Common Shares and Warrants from time to time subject to the terms and conditions of the Special Warrants.

6 Expiration of Special Warrants

Special Warrants shall not expire.

7 Adjustment to Subscription Rights

a) Adjustment to Subscription Rights

If at any time prior to the Exercise Date there shall be:

- (a) a reclassification of the Common Shares outstanding at any time or a change of the Common Shares into other shares or securities or a subdivision or consolidation of the Common Shares into a greater or lesser number of shares or any other capital reorganization;
- (b) a consolidation, amalgamation or merger of the Corporation with or into any other corporation (other than a consolidation, amalgamation or merger which does not result in any reclassification of the outstanding Common Shares or a change of the Common Shares into other shares or securities);
- (c) a transfer of the undertaking or assets of the Corporation as an entirety or substantially as an entirety to another corporation or other entity; or

- (d) an issue or distribution to the holders of all or substantially all of the Corporation's outstanding Common Shares, by way of dividend or otherwise, of securities of the Corporation including rights, options or warrants to acquire shares of the Corporation or securities convertible into or exchangeable for shares of the Corporation, or any property or assets including any evidences of indebtedness, other than any dividend paid by the Corporation in the ordinary course;

(any of such events being called a "**Capital Reorganization**"), the Holder shall thereafter be entitled to receive upon the exercise or deemed exercise of its subscription rights hereunder, and shall accept for no extra cost, in lieu of the number of Units to which the Holder was theretofore entitled upon such exercise or deemed exercise, the kind and amount of shares, warrants or other securities or property which the Holder would have been entitled to receive as a result of such Capital Reorganization if, on the effective date thereof, the Holder had been the registered holder of the number of Common Shares and Warrants to which the Holder was theretofore entitled to acquire upon such exercise or deemed exercise. Appropriate adjustments shall be made as a result of any such Capital Reorganization in the application of the provisions set forth in this Section 7 with respect to the rights and interests thereafter of the Holder to the end that the provisions set forth in this Section 7 shall thereafter correspondingly be made applicable as nearly as may reasonably be in relation to any shares, other securities or other property thereafter deliverable upon the exercise or deemed exercise hereof.

b) Adjustments Cumulative

The adjustments provided for in Section 7(a) are cumulative and shall apply (without duplication) to successive Capital Reorganizations or other events resulting in any adjustment under the provisions of Section 7(a); provided that, notwithstanding any other provision of this Section 7, no adjustment shall be made in the number of Common Shares and Warrants which may be acquired on the exercise or deemed exercise hereof unless it would result in a change of at least one-hundredth of a Common Share and Warrant (provided, however, that any adjustments which by reason of this Section 7 are not required to be made shall be carried forward and taken into account in any subsequent adjustment).

c) No Adjustment

No adjustment in the number of Common Shares and Warrants which may be acquired upon the exercise or deemed exercise hereof shall be made in respect of any event described in Section 7(a) if the Holder is entitled to participate in such event on the same terms *mutatis mutandis* as if the Holder had exercised or had been deemed to have exercised its Special Warrants prior to or on the effective date or record date of such event.

d) Adjustment by Directors

In the event that the Corporation after the date hereof shall take any action affecting the Common Shares other than action described in this Section 7, which in the opinion of the directors of the Corporation would materially affect the rights of holders of the Special Warrants, the number of Common Shares and Warrants which may be acquired upon the exercise or deemed exercise hereof shall be adjusted in such manner and at such time, by action by the directors, in their sole discretion as they may determine to be equitable in the circumstances. Failure of the directors to make such an adjustment shall be conclusive evidence that the directors have determined that it is equitable to make no adjustment in

the circumstances. In the event that any such adjustment is made, the Corporation shall deliver a certificate to the Holder describing such adjustment.

e) Abandoning Capital Reorganization

If the Corporation shall set a record date to determine the holders of the Common Shares for the purpose of entitling them to receive any issue or distribution or for the issue of any rights, options or warrants and shall thereafter and before such distribution or issue to such shareholders legally abandon its plan to make such distribution or issue, then no adjustment in the number of Common Shares and Warrants which may be acquired upon the exercise or deemed exercise hereof shall be required by reason of the setting of such record date.

f) Condition Precedent

As a condition precedent to the taking of any action which would require an adjustment pursuant to Section 7, the Corporation shall take any action which may, in the opinion of counsel, be necessary in order that the Corporation may validly and legally issue as fully paid and non-assessable all Common Shares and Warrants which the Holder is entitled to receive on the full exercise or deemed exercise hereof in accordance with the provisions hereof.

g) Notice

Forthwith after any adjustment in the number of Common Shares to which the Holder is entitled pursuant to this Section 7, the Corporation shall deliver a notice of such adjustment to the Holder setting forth in reasonable detail the method of calculation and the facts upon which such calculation is based.

8 Special Warrant Register

A register shall be kept by the Registrar and Transfer Agent at its principal office in the City of Toronto, and at such other offices as may be required by law wherein shall be entered the name, address and description of the registered holder(s) of the Special Warrants and particulars of the Special Warrants.

9 Transfer of Special Warrants

The Special Warrants evidenced hereby are transferable by the Holder in whole or in part.

10 Notices

Any notice or other communication, including a demand or a direction, required or permitted to be given hereunder shall be in writing and shall be given by facsimile or other means of electronic communication or by hand-delivery as hereinafter provided. Any such notice or other communication, if sent by facsimile or other means of electronic communication, shall be deemed to have been received on the business day following the sending, or if delivered by hand shall be deemed to have been received at the time it is delivered to the applicable address noted below either to the individual designated below or to a senior employee of the addressee at such address with responsibility for matters to which the information relates. Notice of change of address shall also be governed by this Section 5. Notice and other communications shall be addressed as follows:

- (a) in the case of the Corporation:

Sage Gold Inc.  
Suite 1301  
200 University Avenue  
Toronto, ON M5H 3C6

Attention: President and Chief Executive Officer  
Telecopier Number: (416) 260-2243

- (b) in the case of the Holder, at the address of the holder as set forth on the Special Warrant Register

- (c) in the case of the Registrar and Transfer Agent:

Sage Gold Inc.  
Suite 1301  
200 University Avenue  
Toronto, ON M5H 3C6

Attention: President and Chief Executive Officer  
Telecopier Number: (416) 260-2243

- (d) in each case, with a copy to:

Peterson McVicar LLP  
Suite 806  
390 Bay Street  
Toronto, ON M5H 2Y2

Attention: Mr. Dennis H. Peterson  
Telecopier number: (416) 352-5693

**11 Governing Law**

The Special Warrants shall be governed by the laws of the Province of Ontario.

**12 Time of the Essence**

Time shall be of the essence hereof.

**13 Binding Effect**

The terms and conditions of the Special Warrants as set out herein shall enure to the benefit of and be binding upon the registered Holder(s) hereof, its heirs, executors, administrators, successors and assigns to the extent provided herein and shall enure to the benefit of and be binding upon the Corporation and its respective successors and assigns.

#### 14 Severability

In the event any provision hereof shall be void or unenforceable for any reason, it shall be severed from the remainder of the provisions hereof and such remainder shall remain in full force and effect notwithstanding such severance. Any court with jurisdiction over any dispute with respect to the Special Warrants may amend the provisions hereof to the minimum extent required to render the impugned provision valid and enforceable.

[Signature page follows.]

IN WITNESS WHEREOF the Corporation has executed this Special Warrant Certificate under its corporate seal this 17 day of November, 2016.

SAGE GOLD INC.

By:  c/s  
Nigel Lees  
Authorized Signatory

The holding of this Special Warrant Certificate does not result in the Holder being a shareholder of the Corporation nor entitle him to any right or interest in respect hereof except as herein expressly provided.

## SCHEDULE "A"

SPECIAL WARRANT  
SUBSCRIPTION FORM

TO: **SAGE GOLD INC.** (the "Company")

The undersigned hereby exercises the right to purchase and subscribes for \_\_\_\_\_ Units of the Company (or such other securities and property to which the undersigned is hereby entitled) according to the conditions set out in the Special Warrant Certificate surrendered herewith.

The undersigned represents, warrants and certifies that:

*(initial applicable line)*

\_\_\_\_\_ 1 It (i) is not in the United States, (ii) has not executed or delivered this form in or from  
(initial) the United States, (iii) is not a 'U.S. Person' as defined in Regulation S under the United States Securities Act of 1933, as amended (the "1933 Act"), and (iv) is not exercising the Special Warrants for the account or benefit of a U.S. Person or person within the United States.

\_\_\_\_\_ 2 It is a transferee of the Special Warrants and was at the time of such transfer, and is  
(initial) now, a U.S. Person and an exemption from registration under the 1933 Act and any applicable state securities law is available to permit the issuance of the Units on exercise of the Special Warrants and delivered herewith is an opinion of U.S. legal counsel to that effect, it being understood that such opinion is subject to acceptance by the Company, acting reasonably.

\_\_\_\_\_ 3 It (i) currently owns (directly and/or indirectly, and together with any person acting  
(initial) jointly or in concert with the undersigned), an aggregate of: \_\_\_\_\_ Common Shares of the Company; and \_\_\_\_\_ convertible securities of the Company as of the date hereof; and (ii) will not own (directly and/or indirectly, and together with any person acting jointly or in concert with the undersigned), greater than 19.9% of the issued and outstanding Common Shares of the Company immediately following its subscription hereunder.

The undersigned understands that (i) unless line 1 is initialled, the Common Share Certificate and Warrant Certificate will bear a legend restricting transfer without registration under the 1933 Act and applicable state securities legislation similar to the legend provided under Section 29(b) of the Warrant Certificate unless an exemption from registration is available and (ii) such a certificate is not 'good delivery' under stock exchange rules.

Please issue and deliver a share certificate and update the Registers of holders of the Company for the Common Shares and Warrants being purchased as follows:

**Registration Instructions:**

If the certificates are to be registered in another name:

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

Attn: \_\_\_\_\_

Address: \_\_\_\_\_

(Street Address)

\_\_\_\_\_  
(City and Province / State)

\_\_\_\_\_  
(Country and Postal / Zip Code)

**Delivery Instructions:**

If the certificates are to be delivered to someone else:

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

Attn: \_\_\_\_\_ Phone : \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_  
(Street Address)

\_\_\_\_\_  
(City and Province / State)

\_\_\_\_\_  
(Country and Postal / Zip Code)

Please issue and deliver a Special Warrant Certificate in respect of the balance of the unexercised Special Warrants to the undersigned.

DATED this \_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_

\_\_\_\_\_  
Signature of Holder (if an individual)

\_\_\_\_\_  
Name of Holder (if not an individual)

Per:

\_\_\_\_\_  
Name of Holder (if an individual)

\_\_\_\_\_  
Signature of authorized representative

\_\_\_\_\_  
Name & Title of Authorized Representative

**Instructions**

1. The Holder may exercise its right to acquire Units by completing this form and surrendering it and the Special Warrant Certificate representing the Special Warrants being exercised to the Company at its registered address together with the subscription funds therefor by bank draft, certified cheque or other form of payment acceptable to the Company in lawful money of Canada payable to the Company.
2. If this form indicates that Units are to be issued to a person or persons other than the Holder of the Special Warrant Certificate, the signature of such Holder on this form must be must be guaranteed by a Canadian chartered bank or an eligible guarantor institution with membership in an approved signature guarantee Medallion program.

3. If this form is signed by a trustee, executor, administrator, curator, guardian, attorney, officer of a corporation or any person acting in a judiciary or representative capacity, it must be accompanied by evidence of authority to sign satisfactory to the Company.
4. A 'U.S. Person' is defined in Regulation S under the 1933 Act to be any person who is
  - (i) any natural person resident in the United States,
  - (ii) any partnership or corporation organized or incorporated under the laws of the United States,
  - (iii) any estate of which any executor or administrator is a U.S. Person,
  - (iv) any trust of which any trustee is a U.S. Person,
  - (v) any agency or branch of a foreign entity located in the United States,
  - (vi) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated or, if an individual, resident in the United States, and
  - (vii) any partnership or corporation if
    - (A) organized or incorporated under the laws of any foreign jurisdiction, and
    - (B) formed by a U.S. Person principally for the purpose of investing in securities not registered under the 1933 Act, unless it is organized or incorporated, and owned, by 'Accredited Investors' (as defined in Section 230.501(a) of the 1933 Act) who are not natural persons, estates or trusts.

## SCHEDULE "B"

## FORM OF TSXV CERTIFICATE

TO: TSX VENTURE EXCHANGE

Reference is made to the Special Warrant Certificate dated November 17<sup>th</sup>, 2016, between SAGE GOLD INC. (the "Company") and CRH MEZZANINE PTE. LTD. (the "Holder"). All capitalized terms used and not otherwise defined herein shall have the meanings ascribed thereto in the Special Warrant Certificate.

The undersigned officer of the Company hereby certifies, as an officer of the Company and not in the undersigned's personal capacity, intending that the same may be relied upon by you without further inquiry, as follows:

1. attached hereto is the Exercise Form of the Holder dated \_\_\_\_\_, 20\_\_\_\_, received by the Company in respect of the exercise of the Special Warrant by the Holder, which contains the Holder's representation and warranty as to the Common Shares of the Company and securities convertible into Common Shares of the Company owned or controlled by the Holder and its joint actors;
2. to the best of the knowledge of the undersigned upon reasonable investigation, the representations and warranties of the Holder set out in the Exercise Form, are accurate, and for the purposes of the foregoing, "the knowledge of the undersigned upon reasonable investigation" means the knowledge of the undersigned upon review of the Company's registered shareholder list and NOBO list.

DATED this \_\_\_\_\_, 20\_\_\_\_\_.

Per: \_\_\_\_\_  
Authorized Signatory

**SCHEDULE B**

**FORM OF WARRANT CERTIFICATE**

[to be inserted]

UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE MARCH 18, 2017.

WITHOUT PRIOR WRITTEN APPROVAL OF THE TSX VENTURE EXCHANGE AND EXCEPT IN COMPLIANCE WITH ALL APPLICABLE SECURITIES LEGISLATION, THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, TRANSFERRED, HYPOTHECATED OR OTHERWISE TRADED ON OR THROUGH THE FACILITIES OF THE TSX VENTURE EXCHANGE OR OTHERWISE IN CANADA OR TO OR FOR THE BENEFIT OF A CANADIAN RESIDENT UNTIL MARCH 18, 2017.

THE WARRANT REPRESENTED BY THIS CERTIFICATE WILL BE VOID AFTER THE EXPIRY DATE (AS DEFINED BELOW).

Warrant Certificate Number: 1

Number of Warrants represented  
by this Warrant Certificate:  
10,700,000

### COMMON SHARE PURCHASE WARRANT

**SAGE GOLD INC.**  
(the "Company")

(Incorporated under the laws of Ontario)

This is to certify that, for value received, **CRH MEZZANINE PTE. LTD.**, 10 Changi Business Park Central 2, #05-01 Hansapoint, Singapore 486030 (the "Holder") has the right to purchase from the Company, upon and subject to the terms and conditions hereinafter referred to, 10,700,000 common shares ("Common Shares") of the Company exercisable on or before 5:00 p.m. (Toronto time) ("Expiry Time") on November 17, 2019, (the "Expiry Date"), at the price of \$0.1575 per Common Share, payable in lawful money of Canada, subject, to the provisions and upon the terms and conditions hereinafter set forth, including the Limitation on Ownership contained in Section 11.

**THESE WARRANTS WILL BE VOID AND OF NO VALUE UNLESS EXERCISED ON OR BEFORE THE EARLIER OF 5:00 P.M. (TORONTO TIME) ON THE EXPIRY DATE.**

#### TERMS & CONDITIONS

**1. Definitions**

In this Warrant Certificate, the following expressions shall have the following meanings, namely:

- (a) "Adjustment Period" means the period commencing November 17, 2016 and ending at the Expiry Time on the Expiry Date, as adjusted in accordance with this Warrant Certificate;
- (b) "Business Day" means a day which is not a Saturday, Sunday, or a civic or statutory holiday in the city of Toronto, Ontario, Canada;
- (c) "Certificate" has the meaning given to such term in Section 11(b);

- (d) “**Common Share**” means a Common Share of the Company having the rights, privileges, restrictions and conditions set out in the articles of incorporation of the Company, as the same may be reorganized, reclassified or redesignated pursuant to any of the events set out in Section 12 hereof;
- (e) “**Company**” means Sage Gold Inc., a company subsisting under the laws of Ontario and its successors and assigns;
- (f) “**Current Market Price**” on any date, means the weighted average trading price per share at which the Common Shares have been traded on the TSXV (or, if on such date the Common Shares are not listed on that exchange, on such other stock exchange on which the Common Shares are then listed or quoted as may be selected by the directors of the Company, or, if the Common Shares are not then listed or quoted on a stock exchange, on such over-the-counter market on which the Common Shares are traded) during the period of 20 consecutive Trading Days ending on the Trading Day that is three Trading Days before such date; weighted average trading price shall be determined by dividing the aggregate sale price of all Common Shares sold on such exchange or over-the-counter market on the said 20 Trading Days by the total number of Common Shares sold, provided that if the Common Shares are not then listed, quoted or traded on a stock exchange or in the over-the-counter market, then the Current Market Price shall be determined by the disinterested directors of the Company, acting reasonably;
- (g) “**Exercise Price**” means \$0.1575 per Common Share, unless such price shall have been adjusted in accordance with the provisions of Section 12, in which case it shall mean the adjusted price or amended price in effect at such time;
- (h) “**Expiry Date**” means the date of expiry of the Warrants, as set out on the first page hereof, as adjusted in accordance with this Warrant Certificate;
- (i) “**Expiry Time**” means the time of expiry of the Warrants on the Expiry Date, as set out on the first page hereof;
- (j) “**Form of Transfer**” means the Form of Transfer to be used for the Warrants in the form annexed hereto as Schedule “C”;
- (k) “**Gold Prepayment Agreement**” means the gold prepayment agreement dated November 17, 2016 among the Company and CRH Funding II Pte. Ltd.;
- (l) “**Holder**” means the registered holder of this Warrant Certificate;
- (m) “**OBCA**” means the Business Corporations Act (Ontario);
- (n) “**person**” means an individual, corporation, partnership, unincorporated syndicate, unincorporated organization, trust, trustee, executor, administrator, or other legal representative, or any group or combination thereof;
- (o) “**Register**” has the meaning given to such term in Section 5(a);
- (p) “**Register of Shareholders**” means the register of shareholders of the Company (including any applicable branch register and non-listed share register) maintained in accordance with the OBCA;
- (q) “**Trading Day**” with respect to a stock exchange, market or over the counter market means a day on which such stock exchange or over the counter market is open for business;

- (r) “**TSXV**” means the TSX Venture Exchange;
- (s) “**U.S. Person**” means a “U.S. person” as defined in Regulation S under the U.S. Securities Act and which includes an individual resident in the United States, a partnership or corporation organized or incorporated under the laws of the United States, an estate or trust of which any executor or administrator or trustee, respectively, is a U.S. Person and a discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated or (if an individual) resident in the United States;
- (t) “**U.S. Securities Act**” means the United States Securities Act of 1933, as amended;
- (u) “**Warrant**” means a warrant exercisable to purchase one Common Share at the Exercise Price until the Expiry Time;
- (v) “**Warrant Certificate**” means this warrant certificate;
- (w) “**Warrant Exercise Form**” means the form of Warrant Exercise Form annexed hereto as Schedule “A”; and
- (x) “**this Warrant**”, “**this Warrant Certificate**”, “**Warrant**”, “**Warrant Certificate**”, “**herein**”, “**hereby**”, “**hereof**”, “**hereto**”, “**hereunder**” and similar expressions mean or refer to this Warrant Certificate and any deed or instrument supplemental or ancillary thereto and any schedules hereto or thereto and not to any particular article, section, subsection, clause, subclause or other portion hereof.

## 2. Expiry Time

After the Expiry Time, all rights under any Warrants evidenced hereby, in respect of which the right of subscription and purchase herein provided for shall not theretofore have been exercised, shall wholly cease and terminate and such Warrants shall be void and of no value or effect.

## 3. Exercise of Warrants

- (a) The Holder may exercise the right to purchase Common Shares herein provided for before the Expiry Time by:
  - (i) duly completing and executing the Warrant Exercise Form attached as Schedule “A” hereto, such execution by the Holder or its legal representative or attorney;
  - (ii) paying the amount equal to the Exercise Price multiplied by the number of Common Shares for which subscription is being made, by bank draft, certified cheque or other form of payment acceptable to the Company in lawful money of Canada payable to the Company; and
  - (iii) surrendering this Warrant Certificate, the Warrant Exercise Form and such payment to the Company at the address set out in the instructions on the Warrant Exercise Form.
- (b) The Company will:
  - (i) upon surrender and payment, as set out above, issue to the Holder the number of Common Shares subscribed for by the Holder;

- (ii) as soon as practicable and in any event within five Business Days following receipt of such surrender and payment, mail to the Holder a share certificate evidencing such Common Shares, which, if applicable, will be endorsed with the legends set out at the beginning of, or elsewhere in, this Warrant Certificate, and update the Register of Shareholders to evidence the issuance of such Common Shares and their registration in the name of the Holder, and provide the Holder with a certified extract of same (the "**Updated Register of Shareholders**"); and
  - (iii) ensure that all Common Shares issued upon the exercise of any Warrants pursuant to this Warrant Certificate shall be validly authorised and issued, fully paid, non-assessable and free from all liens, charges and security interests in respect of the issuance thereof.
- (c) If the Holder subscribes for a lesser number of Common Shares than the number of Common Shares permitted by this Warrant Certificate, then the Company shall also, without charge, mail to the Holder a new Warrant certificate in respect of the remaining Common Shares referred to in this Warrant Certificate, together with the Updated Register of Shareholders delivered pursuant to Section 3(b)(ii).

#### **4. Payment of Exercise Price by Offset or Cashless Exercise on Mutual Agreement**

- (a) If mutually agreed to by the Company and the Holder, and subject to the rules and policies of the TSXV, the Holder, in lieu of cash, may satisfy the payment of the Exercise Price through the delivery of Refined Gold (as such term is defined in the Gold Prepayment Agreement) according to the procedure more specifically set out in the Gold Prepayment Agreement. The amount to be credited in respect of any offset shall be calculated using the Gold Market Price (as such term is defined in the Gold Prepayment Agreement) as of the Business Day immediately prior to such delivery of Refined Gold, as more specifically set out in the Gold Prepayment Agreement.
- (b) If mutually agreed to by the Company and the Holder, the Holder may exercise the Warrants on a cashless exercise basis on terms that are (i) mutually satisfactory to the Company and the Holder, each acting reasonably, and (ii) in accordance with the rules and policies of the TSXV.
- (c) For the avoidance of doubt, these alternative forms of payment of the Exercise Price will not be deemed or interpreted to alter or extend the timing, availability, or duration of any Warrant.

#### **5. Register of Holders and Transfer of Warrants**

- (a) The Company shall cause a register (the "**Register**") to be kept in which shall be entered the names and addresses of all holders of the Warrants (which, for the purposes of this paragraph, if applicable, includes all Warrants issued to other persons pursuant to the financing in which this Warrant Certificate was issued) and the number of Warrants held by each of them.
- (b) No transfer of Warrants shall be:
  - (i) valid unless made by the Holder or its executors, administrators or other legal representatives or its attorney duly appointed by an instrument in writing in form and execution satisfactory to the Company upon compliance with such reasonable requirements as the Company may prescribe, including compliance with all applicable securities legislation; or
  - (ii) recorded on the Register maintained by the Company, until all stamp or governmental or other charges arising by reason of such transfer have been paid.

- (c) The transferee of a Warrant shall:
- (i) after a Form of Transfer is duly completed;
  - (ii) after the Warrant is lodged with the Company; and
  - (iii) upon compliance with all terms of this Warrant Certificate and other reasonable requirements of the Company or law,

be entitled to have its name entered on the Register as the owner of such Warrant, free from all equities or rights of set-off or counterclaim between the Company and the transferor or any previous holder of such Warrant, save in respect of equities of which the Company is required to take notice by statute or by order of a court of competent jurisdiction.

- (d) The Company may treat the registered holder of any Warrant certificate, including this Warrant Certificate, as the absolute owner of the Warrants represented thereby and hereby for all purposes, and the Company shall not be affected by any notice or knowledge to the contrary except where the Company is required to take notice by statute or by order of a court of competent jurisdiction.
- (e) If a transfer would constitute a violation of the securities laws of any jurisdiction or the rules, regulations or policies of any regulatory authority having jurisdiction, then the Company will be entitled to refuse to:
- (i) recognize any transfer; or
  - (ii) enter the name of any transferee, of any Warrant on the Register.

**6. No Fractional Common Shares**

Notwithstanding any adjustments provided for in Section 12 hereof or otherwise, under no circumstances shall the Company be obliged to:

- (i) issue any fractional Common Shares upon exercise of the Warrants; or
- (ii) provide any compensation for such fractional Common Shares, if any, provided that to the extent that, if the Holder would otherwise be entitled to purchase a fraction of a Common Share, then such right may be exercised in combination with other rights which, in the aggregate, entitle the Holder to purchase a whole number of Common Shares.

**7. Not a Shareholder**

Nothing in:

- (i) this Warrant Certificate; or
- (ii) the holding of the Warrants evidenced hereby,

shall be construed as conferring upon the Holder any right or interest whatsoever as a shareholder of the Company.

**8. No Obligation to Purchase**

Nothing herein contained or done pursuant hereto shall obligate:

- (i) the Holder to purchase or pay for; or
- (ii) the Company to issue,

any shares except those Common Shares in respect of which the Holder shall have exercised its right to purchase hereunder in the manner provided herein.

#### 9. Ranking of Warrants

All Warrants (which, for the purposes of this paragraph, includes all Warrants issued to other persons pursuant to the financing in which these Warrants were issued) shall rank *pari passu*, notwithstanding the actual date of the issue thereof.

#### 10. Covenants for the Benefit of the Holder

The Company covenants and agrees that:

- (a) so long as any Warrants evidenced hereby remain outstanding:
  - (i) it shall reserve; and
  - (ii) there shall remain unissued out of its authorized capital, a sufficient number of Common Shares, free from pre-emptive rights, to satisfy the right of purchase herein provided for should the Holder exercise its rights in respect of all the Common Shares for the time being called for by such outstanding Warrants;
- (b) all Common Shares which shall be issued upon the exercise of the right to purchase herein provided for, upon payment therefor of the amount at which such Common Shares may at the time be purchased pursuant to the provisions hereof, shall be validly authorized and issued as fully paid and non-assessable Common Shares free of taxes, liens, charges and security interests and the holders thereof shall not be liable to the Company or to its creditors in respect thereof;
- (c) it shall use its commercially reasonable efforts to preserve and maintain its corporate existence except as may otherwise be contemplated by this Warrant Certificate, including, but not limited to, Section 12(c).
- (d) if the Common Shares are or become listed on any public stock exchange, then it shall use its commercially reasonable efforts to:
  - (i) maintain such listing; and
  - (ii) have the Common Shares issued pursuant to the exercise of the Warrants listed and posted for trading on such exchange,
- (e) it shall do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered, all other acts, deeds and assurances in law as may reasonably be required for the better accomplishing and effecting of the intentions and provisions of this Warrant Certificate;
- (f) if the issuance of the Common Shares upon the exercise of the Warrants requires any filing or registration with or approval of any securities regulatory authority or other governmental authority or compliance with any other requirement under any law before such Common Shares may be validly issued (other than the filing of a prospectus, registration statement or similar disclosure

document), the Company agrees to take such actions as may be reasonably necessary to secure such filing, registration, approval or compliance, as the case may be;

- (g) it shall not by any action, including, without limitation, (i) amending its Certificate of Incorporation or By-laws or (ii) through any reorganisation, transfer of assets, consolidation, merger, dissolution, issue or sale of securities or any other voluntary action, avoid or seek to avoid the observance or performance of any of the terms of the Warrants, but will at all times in good faith assist in the carrying out of all such terms and in the taking of all such actions as may be necessary or appropriate to protect the rights of the Holder against impairment. Without limiting the generality of the foregoing, the Company shall not increase the par value of the Common Shares receivable upon the exercise of the Warrants above the amount payable therefor upon such exercise immediately prior to such increase in par value or otherwise amend or alter the terms, rights, preferences and privileges of the Common Shares;
- (h) so long as any of the Warrants evidenced hereby remain outstanding:
  - (i) it shall allow the Holder, upon reasonable notice, to examine the Register; and
  - (ii) it shall not amend, alter or modify its Certificate of Incorporation or By-laws, in any manner adverse to the terms of this Agreement or the Gold Prepayment Agreement, without the written consent of the Holder; and
- (i) it will pay all taxes (other than income taxes) and other government charges in connection with the issuance or delivery of the Warrants and the initial issuance or delivery of Common Shares upon the exercise of any Warrants and payment of the Exercise Price.

None of the foregoing provisions shall restrict any merger, amalgamation or other form of corporate transaction or reorganization by the Company so long as the Warrants and the provisions of this Warrant Certificate continue to be valid and enforceable provisions of any successor to the Company.

#### **11. Limitation on Ownership**

- (a) Notwithstanding any other provision hereof, the Holder shall only be entitled to exercise this Warrant to the extent that the Holder will not own (together with any person acting jointly or in concert with the Holder), directly or indirectly, greater than 19.9% of the issued and outstanding Common Shares immediately following such exercise; provided, however, that such restrictions shall not apply in the event that all required shareholder and regulatory approvals have been obtained, it being understood and acknowledged that the Company has no obligation to seek to or take any steps to remove such restrictions. The Holder shall calculate the securities of the Company owned by the Holder (directly and indirectly, and together with any person acting jointly or in concert with the Holder), which calculation shall be the sole responsibility of the Holder and which the Holder shall confirm to the Company as a condition of exercise by making such declaration in the Warrant Exercise Form annexed hereto as Schedule "A" at the time of exercise. The Holder agrees and acknowledges that the Company shall be entitled to rely upon the Holder's representations and warranties in Schedule "A" hereto in determining the Holder's eligibility to exercise this Warrant and in delivering the Certificate (as defined below).
- (b) The Holder acknowledges and understands that no exercise of Warrants shall be completed until the Company has determined the Holder's eligibility to exercise this Warrant and has delivered a certificate ("Certificate") in the form of certificate set out as Schedule "B" to the TSXV in respect thereof.

## 12. Adjustments

(a) The rights of the Holder of the Warrants, including the number of Common Shares issuable upon the exercise of such Warrants, will be adjusted from time to time in the events and in the manner provided in, and in accordance with the provisions of, this Section 12. The purpose and intent of the adjustments provided for in this Section 12 is to ensure that the rights and obligations of the Holder are neither diminished nor enhanced as a result of any of the events set forth in paragraphs (b), (c) or (d) of this Section 12. Accordingly, the provisions of this Section 12 shall be interpreted and applied in accordance with such purpose and intent.

(b) The Exercise Price in effect at any date will be subject to adjustment from time to time as follows:

(i) Share Reorganization: If and whenever at any time during the Adjustment Period, the Company shall:

- (A) subdivide, redivide or change the outstanding Common Shares into a greater number of Common Shares;
- (B) consolidate, combine or reduce the outstanding Common Shares into a lesser number of Common Shares; or
- (C) fix a record date for the issue of Common Shares or securities convertible into or exchangeable for Common Shares to all or substantially all of the holders of Common Shares by way of a stock dividend or other distribution other than a dividend paid in the ordinary course,

then, in each such event, the Exercise Price shall, on the record date for such event or, if no record date is fixed, the effective date of such event, be adjusted so that it will equal the rate determined by multiplying the Exercise Price in effect immediately prior to such date by a fraction, of which the numerator shall be the total number of Common Shares outstanding on such date before giving effect to such event, and of which the denominator shall be the total number of Common Shares outstanding on such date after giving effect to such event. Such adjustment shall be made successively whenever any such event shall occur. Any such issue of Common Shares by way of a stock dividend shall be deemed to have been made on the record date for such stock dividend for the purpose of calculating the number of outstanding Common Shares under paragraphs 12(b)(i) and (ii) hereof. To the extent that any adjustment in the Exercise Price occurs pursuant to this Section 12(b) as a result of the fixing by the Company of a record date for the distribution of exchangeable or convertible securities referred to in subsection 12(b)(i)(C), the Exercise Price will be readjusted immediately after the expiration of any relevant exchange or conversion right to the Exercise Price that would then be in effect based upon the number of Common Shares actually issued and remaining issuable as a result of the event described in subsection 12(b)(i)(C) immediately after such expiration, and will be further readjusted in such manner upon expiration of any further such right.

(ii) Rights Offering: If and whenever at any time during the Adjustment Period, the Company shall fix a record date for the issue of rights, options or warrants to all or substantially all of the holders of Common Shares entitling the holders thereof to subscribe for or purchase Common Shares (or securities convertible into or exchangeable for Common Shares) at a price per share to the holder (or in the case of securities exchangeable for or convertible into Common Shares, at an exchange or conversion price per share) at the date of issue of such securities of less than 95% of the Current Market Price of the Common Shares on such record date, then the Exercise Price shall be adjusted immediately after such record date so that it will equal the rate determined by multiplying the Exercise Price in effect on such record date by a fraction, of which the numerator

shall be the total number of Common Shares outstanding on such record date plus the number of Common Shares equal to the number arrived at by dividing the aggregate price of the total number of additional Common Shares so offered for subscription or purchase (or the aggregate conversion or exchange price of the convertible or exchangeable securities so offered) by such Current Market Price, and of which the denominator shall be the total number of Common Shares outstanding on such record date plus the total number of additional Common Shares so offered for subscription or purchase (or into or for which the convertible or exchangeable securities so offered are convertible or exchangeable). Any Common Shares owned by or held for the account of the Company or any subsidiary of the Company shall be deemed not to be outstanding for the purpose of any such computation. Such adjustment shall be made successively whenever such a record date is fixed, provided that if two or more such record dates referred to in this paragraph 12(b)(ii) are fixed within a period of 20 Trading Days, such adjustment will be made successively as if each of such record dates occurred on the earliest of such record dates. To the extent that any such rights, options or warrants are not exercised prior to the expiration thereof, the Exercise Price shall then be readjusted to the Exercise Price which would then be in effect based upon the number of Common Shares (or securities convertible into or exchangeable for Common Shares) actually issued upon the exercise of such rights, options or warrants, as the case may be and will be further readjusted in such manner upon expiration of any further such right.

(iii) Distribution: If and whenever at any time during the Adjustment Period, the Company shall fix a record date for the making of a distribution to all or substantially all of the holders of Common Shares of (A) shares of any class other than Common Shares whether of the Company or any other corporation, (B) rights, options or warrants to acquire Common Shares or securities exchangeable for or convertible into Common Shares or property or other assets of the Company (other than a Rights Offering as described in Section 12 (b)(ii)), (C) evidences of indebtedness, or (D) cash, securities or other property or assets then, in each such case and if such distribution does not constitute a dividend paid in the ordinary course, or fall under clauses (i) or (ii) of this Section 12 above, the Exercise Price will be adjusted immediately after such record date so that it will equal the rate determined by multiplying the Exercise Price in effect on such record date by a fraction, of which the numerator shall be the total number of Common Shares outstanding on such record date multiplied by the Current Market Price on the earlier of such record date and the date on which the Company announces its intention to make such distribution, less the aggregate fair market value (as determined by the directors, acting reasonably, at the time such distribution is authorized) of such shares or rights, options or warrants or evidences of indebtedness or cash, securities or other property or assets so distributed, and of which the denominator shall be the total number of Common Shares outstanding on such record date multiplied by such Current Market Price. Any Common Shares owned by or held for the account of the Company or any subsidiary of the Company shall be deemed not to be outstanding for the purpose of any such computation. Such adjustment shall be made successively whenever such a record date is fixed, provided that if two or more such record dates referred to in this paragraph 12(b)(iii) are fixed within a period of 20 Trading Days, such adjustment will be made successively as if each of such record dates occurred on the earliest of such record dates. To the extent that any such rights, options or warrants so distributed are not exercised prior to the expiration thereof, the Exercise Price shall then be readjusted to the Exercise Price which would then be in effect based upon such rights, options or warrants or evidences of indebtedness or cash, securities or other property or assets actually distributed or based upon the number or amount of securities or the property or assets actually issued or distributed upon the exercise of such rights, options or warrants, as the case may be, and will be further readjusted in such manner upon expiration of any further such right.

- (c) Reclassifications: If and whenever at any time during the Adjustment Period, there is (A) any reclassification of or amendment to the outstanding Common Shares, any change of the Common Shares into other shares or any other reorganization of the Company (other than as described in subsection 12 (b) hereof), (B) any consolidation, amalgamation, arrangement, merger or other form of business combination of the Company with or into any other corporation resulting in any

reclassification of the outstanding Common Shares, any change of the Common Shares into other shares or any other reorganization of the Company or (C) any sale, lease, exchange or transfer of the undertaking or assets of the Company as an entirety or substantially as an entirety to another corporation or entity, then, in each such event, the Holder of this Warrant which is thereafter exercised shall be entitled to receive, and shall accept, in lieu of the number of Common Shares to which such Holder was theretofore entitled upon such exercise, the kind and number or amount of shares or other securities or property which such Holder would have been entitled to receive as a result of such event if, on the effective date thereof, such Holder had been the registered holder of the number of Common Shares to which such Holder was theretofore entitled upon such exercise. If necessary as a result of any such event, appropriate adjustments will be made in the application of the provisions set forth in this subsection with respect to the rights and interests thereafter of the Holder of this Warrant Certificate to the end that the provisions set forth in this subsection will thereafter correspondingly be made applicable, as nearly as may reasonably be, in relation to any shares or other securities or property thereafter deliverable upon the exercise of this Warrant. Any such adjustments will be made by and set forth in an instrument supplemental hereto approved by the directors, acting reasonably, and shall for all purposes be conclusively deemed to be an appropriate adjustment.

- (d) If at any time during the Adjustment Period any adjustment or readjustment in the Exercise Price shall occur pursuant to the provisions of subsection 12(b) or 12(c) of this Warrant Certificate, then the number of Common Shares purchasable upon the subsequent exercise of the Warrants shall be simultaneously adjusted or readjusted, as the case may be, by multiplying the number of Common Shares purchasable upon the exercise of the Warrants immediately prior to such adjustment or readjustment by a fraction which shall be the reciprocal of the fraction used in the adjustment or readjustment of the Exercise Price.

### 13. Rules Regarding Calculation of Adjustment of Exercise Price

- (a) The adjustments provided for in Section 12 are cumulative and will, in the case of adjustments to the Exercise Price, be computed to the nearest one tenth of one cent and will be made successively whenever an event referred to therein occurs, subject to the following subsections of this Section 13.
- (b) No adjustment in the Exercise Price is required to be made unless such adjustment would result in a change of at least 1% in the prevailing Exercise Price; provided, however, that any adjustments which, except for the provisions of this subsection, would otherwise have been required to be made, will be carried forward and taken into account in any subsequent adjustments. For the avoidance of doubt, an Exercise Price may be specified as requiring fractional costs.
- (c) No adjustment in the Exercise Price will be made in respect of any event described in Section 12, if the Holder is entitled to participate in such event on the same terms, *mutatis mutandis*, as if the Holder had exercised the Warrants prior to or on the effective date or record date of such event.
- (d) If at any time a dispute arises with respect to adjustments provided for in Section 12, such dispute will be conclusively determined by:
  - (i) the auditors of the Company; or
  - (ii) if the auditors of the Company are unable or unwilling to act, by such other eligible advisors as may be selected by action by the directors of the Company, acting reasonably and in good faith,

who the Company will provide with access to all necessary records of the Company, as requested, and any such determination, subject to regulatory approval and absent manifest error, will be binding upon the Company and the Holder.

- (e) In the absence of a resolution of the directors of the Company fixing a record date for any event which would require any adjustment to these Warrants, the Company will be deemed to have fixed, as the record date therefor, the date on which the event is effected.
- (f) As a condition precedent to the taking of any action which would require any adjustment to this Warrant Certificate, including the Exercise Price, the Company must take any corporate action which may be necessary in order that the Company have unissued and reserved in its authorized capital and may validly and legally issue as fully paid and non-assessable all the Common Shares or other securities which the Holder is entitled to receive on the full exercise thereof in accordance with the provisions hereof, subject to the satisfaction of any requirement of the TSXV, if applicable.
- (g) The Company will from time to time, immediately after the occurrence of any event which requires an adjustment or readjustment as provided in Section 12, forthwith give notice, if applicable, to the Holder specifying the event requiring such adjustment or readjustment and the results thereof, including the resulting Exercise Price, the adjusted Expiry Date, as the case may be.
- (h) The Company will, so long as this Warrant Certificate remains outstanding, give notice to the Holder of its intention to fix a record date for any event referred to in Sections 12 (b) or (c) (other than the subdivision or consolidation of the Common Shares) which may give rise to an adjustment in the Exercise Price, and, such notice will be given not less than 14 days prior to each such applicable record date or effective date and must specify the:
  - (i) particulars of;
  - (ii) record date for; and
  - (iii) effective date of,

such event but the Company is only required to specify in such notice such particulars as have been fixed, determined and publicly disclosed on the date on which such notice is given.

#### 14. Consolidation and Amalgamation

- (a) The Company shall not enter into any transaction whereby all or substantially all of its undertaking, property and assets would become the property of any other corporation (herein called a “**successor corporation**”) whether by way of reorganization, reconstruction, consolidation, amalgamation, merger, reverse take over, transfer, sale, disposition or otherwise, unless, prior to or contemporaneously with the consummation of such transaction, the Company and the successor corporation shall have executed such instruments and done such things as are necessary or advisable in the opinion of the Holder, acting reasonably, to establish that upon the consummation of such transaction:
  - (i) the successor corporation will have assumed all the covenants and obligations of the Company under this Warrant Certificate, and
  - (ii) the Warrant and the terms set forth in this Warrant Certificate will be a valid and binding obligation of the successor corporation entitling the Holder, as against the successor corporation, to all the rights of the Holder under this Warrant Certificate.

- (b) Provided that the conditions of this Section 14 have been duly observed and performed, the successor corporation shall possess, and from time to time may exercise, each and every right and power of the Company under this Warrant Certificate in the name of the Company or otherwise and any act or proceeding by any provision hereof required to be done or performed by any director or officer of the Company may be done and performed with like force and effect by the like directors or officers of the successor corporation.

**15. Representation and Warranties of the Company**

The Company hereby represents and warrants with and to the Holder that:

- (a) the Company is duly authorized and has the corporate and lawful power and authority to:
- (i) create and issue:
    - (A) the Warrants represented by this Warrant Certificate; and
    - (B) the Common Shares issuable upon the exercise hereof;and
  - (ii) perform its obligations hereunder;
- and
- (b) this Warrant Certificate represents a valid, legal and binding obligation of the Company enforceable in accordance with its terms.

**16. If Share Transfer Books Closed**

If the share transfer books of the Company are properly closed, prior to any meeting of shareholders or for the payment of dividends or for any other purpose, then the Company shall not be required to deliver certificates for Common Shares or update the Register of Shareholders; and in the event of the:

- (a) surrender of any Warrant in accordance with the provisions hereof; and
- (b) making of any subscription and payment for the Common Shares called for thereby during any such period,

delivery of certificates for Common Shares and the updating of the Register of Shareholders to reflect the issuance of any Common Shares on exercise of this Warrant Certificate may be postponed for up to five Business Days after the date of the re-opening of said share transfer books, but any such postponement of delivery of certificates shall be without prejudice to the right of the Holder, if the Holder has surrendered the same and made payment during such period, to receive such certificates for and be registered as the holder of the Common Shares called for after the share transfer books have been re-opened.

**17. Replacement of Warrant Certificate**

If this Warrant Certificate is mutilated, lost, destroyed or stolen, then the Company shall issue and deliver a new Warrant certificate representing the same number of Warrants as this Warrant Certificate in lieu of and in substitution of such mutilated, lost, destroyed or stolen Warrant Certificate, provided that the Holder must:

- (a) bear the costs of the issue of the new Warrant certificate; and
- (b) furnish the Company with such:
  - (i) such evidence of:
    - (A) ownership; and
    - (B) loss, destruction or theft of the Warrant Certificate; and
  - (ii) indemnity and surety bond,as the Company may require.

**18. Governing Law**

This Warrant Certificate is governed by the laws of the Province of Ontario and the federal laws of Canada applicable herein.

**19. Amendments**

Subject to any regulatory approval, the provisions of this Warrant Certificate may from time to time be amended, modified or waived, only if such amendment, modification or waiver is in writing and consented to in writing by the Company and the Holder.

**20. Severability**

If any one or more of the provisions or parts thereof contained in this Warrant Certificate should be or become invalid, illegal or unenforceable in any respect in any jurisdiction, then the remaining provisions or parts thereof contained herein shall be and shall be conclusively deemed to be, as to such jurisdiction, severable therefrom; and, the validity, legality or enforceability of such remaining provisions or parts thereof shall not in any way be affected or impaired by the severance of the provisions or parts thereof severed; and the invalidity, illegality or unenforceability of any provision or part thereof contained in this Warrant Certificate in any jurisdiction shall not affect or impair such provision or part thereof or any other provisions of this Warrant Certificate in any other jurisdiction.

**21. Headings**

The headings of the articles, Sections, subsections and clauses of this Warrant Certificate have been inserted for convenience and reference only and do not define, limit, alter or enlarge the meaning of any provision of this Warrant Certificate.

**22. Numbering of Articles, etc.**

Unless otherwise stated, a reference herein to a numbered or lettered article, Section, subsection, clause, subclause or schedule refers to the article, section, subsection, clause, subclause or schedule bearing that number or letter in this Warrant Certificate.

**23. Gender**

Whenever used in this Warrant Certificate, words importing the singular number only shall include the plural, and vice versa, and words importing the masculine gender shall include the feminine gender.

**24. Day not a Business Day**

If any day on or before which any action is required to be taken hereunder is not a Business Day, then such action shall be required to be taken on or before the requisite time on the next succeeding day that is a Business Day. If the payment of any amount is deferred for any period, then such period shall be included for purposes of the computation of any interest payable hereunder.

**25. Computation of Time Period**

Except to the extent otherwise provided herein, in the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding".

**26. Binding Effect, Assignment**

All the covenants and provisions of this Warrant Certificate by or for the benefit of the Company or the Holder shall bind and inure to the benefit of his respective heirs, executors, administrators, legal personal representatives, successors and permitted assigns. The rights and obligations of the Holder under this Warrant Certificate shall be transferable by the Holder by assignment or otherwise subject to the provisions of Section 5 above and applicable laws. The Company's rights and obligations under this Warrant Certificate shall not be transferable by the Company by assignment or otherwise, subject to the provisions of herein.

**27. Notice**

(a) Any notice or other communication required or permitted to be given hereunder shall be in writing and shall be sufficiently given if delivered personally (including by courier service) or if sent by facsimile or sent by electronic mail in PDF format addressed as follows:

(i) if to the Holder:

CRH Mezzanine Pte. Ltd.  
10 Changi Business Park Central 2  
#05-01 Hansapoint  
Singapore 486030

Attention: Andrew Wehrley  
Email: [andrew.wehrley@cartesiangroup.com](mailto:andrew.wehrley@cartesiangroup.com)  
Facsimile: (212) 461-6342

with copies to (which shall not constitute notice):

Cartesian Capital Group  
505 Fifth Ave., 15th Floor  
New York, NY 10017

Attention: Peter Yu  
Email: [peter.yu@cartesiangroup.com](mailto:peter.yu@cartesiangroup.com)  
Facsimile: (212) 461-6366

(ii) if to the Company:

Sage Gold Inc.  
200 University Avenue  
Suite 1301  
Toronto, ON M5H 3C6

Attention: Nigel Lees, President and Chief Executive Officer  
Email: [nlees@sagegoldinc.com](mailto:nlees@sagegoldinc.com)  
Facsimile: (416) 260-2243

- (b) Any such notice or other communication given in accordance with this Section, if delivered personally as aforesaid shall be deemed to have been validly and effectively given on the date of such delivery if such date is a Business Day and such delivery is received before 4:00 p.m. at the place of delivery; otherwise it shall be deemed to be validly and effectively given on the next following Business Day. Any notice or communication which is transmitted by facsimile transmission as aforesaid shall be deemed to have been validly and effectively given on the date of transmission if such day is a Business Day and such transmission is received before 4:00 p.m. at the place of receipt; otherwise it shall be deemed to have been validly and effectively given on the next following Business Day. Any notice which is provided by electronic mail shall be followed by a copy of such notice delivered personally (including by courier service) or by facsimile transmission to the address noted above in (a). For clarity, notice delivered by electronic mail shall be deemed to have been validly and effectively given on the date of the electronic mail transmission if such day is a Business Day and such transmission is sent before 4:00 p.m. at the place of receipt; otherwise it shall be deemed to have been validly and effectively given on the next following Business Day.

**28. Time of the Essence**

Time shall be of the essence hereof.

**29. Acknowledgement of Resale Restrictions and Covenants**

The Holder, by accepting this Warrant, acknowledges, covenants and agrees:

- (a) that this Warrant and the Common Shares to be issued upon exercise of this Warrant are subject to resale restrictions imposed under applicable securities laws and the rules of regulatory bodies having jurisdiction;
- (b) that all Common Shares issued on or before March 18, 2017 upon the exercise of the rights represented by this Warrant will be subject to a hold period under Canadian securities laws and may not be traded until March 18, 2017 except as permitted by applicable securities laws and regulations and the certificates representing such Common Shares shall bear the following legends:

**“UNLESS PERMITTED UNDER SECURITIES LEGISLATION, THE HOLDER OF THIS SECURITY MUST NOT TRADE THE SECURITY BEFORE MARCH 18, 2017.”**

**WITHOUT PRIOR WRITTEN APPROVAL OF THE TSX VENTURE EXCHANGE AND COMPLIANCE WITH ALL APPLICABLE SECURITIES LEGISLATION, THE SECURITIES REPRESENTED BY THIS CERTIFICATE MAY NOT BE SOLD, TRANSFERRED, HYPOTHECATED OR OTHERWISE TRADED ON OR THROUGH**

**THE FACILITIES OF THE TSX VENTURE EXCHANGE OR OTHERWISE IN CANADA OR TO OR FOR THE BENEFIT OF A CANADIAN RESIDENT UNTIL MARCH 18, 2017.”**

- (c) that the Holder may not resell:
  - (i) the Warrants; or
  - (ii) the Common Shares issued upon exercise of the Warrants,except in accordance with the provisions of applicable securities legislation;
- (d) it is acquiring:
  - (i) the Warrants; and
  - (ii) any Common Shares to be issued pursuant to the terms hereof,as principal for its own account and not for the benefit of any other person and for investment only and not with a view to the resale or distribution of all or any of the Warrants or the Common Shares;
- (e) the Holder (i) is not acquiring this Warrant in or from the United States, (iii) is not a U.S. Person, and (iv) is not acquiring the Warrants for the account or benefit of a U.S. Person or person within the United States; and
- (f) if required by law or regulatory bodies having jurisdiction, it will promptly complete, sign and file or provide the Company with all forms required in the connection with the Warrants.

**30. U.S. Securities Matters**

- (a) The Warrants represented hereby and the Common Shares issuable upon exercise of the Warrants have not been registered under the U.S. Securities Act or any applicable state securities laws, and the Warrants may not be exercised by a person in the United States or by, or for the account or benefit of, any U.S. Person, or any person within the United States, unless registered under the U.S. Securities Act and all applicable state securities laws or pursuant to an applicable exemption from such registration requirements, and the Company has received an opinion of counsel of recognized standing to such effect in form and substance satisfactory to the Company.
- (b) The Warrants and the Common Shares issuable upon exercise of the Warrants have not been registered under the U.S. Securities Act or any applicable state securities laws, and may not be offered, sold, pledged or transferred, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. Person or any person within the United States unless the Warrants and the Common Shares issuable upon exercise thereof, as applicable, have been registered under the U.S. Securities Act and all applicable state securities laws or an exemption from such registration requirements is available and the Company has received an opinion of counsel of recognized standing to such effect in form and substance satisfactory to the Company.

**31. Counterparts**

This Warrant Certificate may be executed in any number of counterparts, each of which so executed shall be deemed to be an original, and all of which together shall constitute one and the same Warrant Certificate.

**[END OF TERMS AND CONDITIONS]**



IN WITNESS WHEREOF this warrant has been duly executed by the undersigned on the 17  
day of November, 2016.

**SAGE GOLD INC.**

By 

Authorized Signatory

In the presence of:

\_\_\_\_\_  
Witness

**SCHEDULE "A"**  
**WARRANT EXERCISE FORM**

**TO: SAGE GOLD INC. (the "Company")**

The undersigned hereby exercises the right to purchase and subscribes for \_\_\_\_\_ Common Shares of the Company (or such other securities and property to which the undersigned is hereby entitled) according to the conditions set out in the Warrant Certificate surrendered herewith and makes payment of the purchase price of (\$)\_\_\_\_\_ by bank draft, certified cheque, or other form of payment acceptable to the Company, in lawful money of Canada, payable to the Company.

The undersigned represents, warrants and certifies that:

*(initial applicable line)*

- \_\_\_\_\_ 1 It (i) is not in the United States, (ii) has not executed or delivered this form in or from  
(initial) the United States, (iii) is not a 'U.S. Person' as defined in Regulation S under the United States Securities Act of 1933, as amended (the "1933 Act") and described in Note 4, and (iv) is not exercising the Warrants for the account or benefit of a U.S. Person or person within the United States.
- \_\_\_\_\_ 2 It is a transferee of the Warrants and was at the time of such transfer, and is now, a U.S.  
(initial) Person and an exemption from registration under the 1933 Act and any applicable state securities law is available to permit the issuance of the Common Shares on exercise of the Warrants and delivered herewith is an opinion of U.S. legal counsel to that effect, it being understood that such opinion is subject to acceptance by the Company, acting reasonably.
- \_\_\_\_\_ 3 It (i) currently owns (directly and/or indirectly, and together with any person acting  
(initial) jointly or in concert with the undersigned), an aggregate of: \_\_\_\_\_ Common Shares of the Company; and \_\_\_\_\_ convertible securities of the Company as of the date hereof; and (ii) will not own (directly and/or indirectly, and together with any person acting jointly or in concert with the undersigned), greater than 19.9% of the issued and outstanding Common Shares of the Company immediately following its subscription hereunder.

The undersigned understands that (i) unless line 1 is initialled, the share certificate will bear a legend restricting transfer without registration under the 1933 Act and applicable state securities legislation similar to the legend provided under Section 29(b) of the Warrant Certificate unless an exemption from registration is available and (ii) such a share certificate is not 'good delivery' under stock exchange rules.

Please issue and deliver a share certificate and update the Register of Shareholders of the Company for the Common Shares being purchased as follows:

**Registration Instructions:**

If the share certificate(s) are to be registered in another name:

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

Attn: \_\_\_\_\_

Address: \_\_\_\_\_

(Street Address)

\_\_\_\_\_  
(City and Province / State)

\_\_\_\_\_  
(Country and Postal / Zip Code)

**Delivery Instructions:**

If the share certificate(s) are to be delivered to someone else:

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

Attn: \_\_\_\_\_ Phone : \_\_\_\_\_

Address: \_\_\_\_\_

\_\_\_\_\_  
(Street Address)

\_\_\_\_\_  
(City and Province / State)

\_\_\_\_\_  
(Country and Postal / Zip Code)

Please issue and deliver a Warrant certificate in respect of the balance of the unexercised Warrants to the undersigned.

**DATED** this \_\_\_\_ day of \_\_\_\_\_, 20 \_\_\_\_

\_\_\_\_\_  
Signature of Holder (if an individual)

\_\_\_\_\_  
Name of Holder (if not an individual)

Per:

\_\_\_\_\_  
Name of Holder (if an individual)

\_\_\_\_\_  
Signature of authorized representative

\_\_\_\_\_  
Name & Title of Authorized Representative

**Instructions**

1. The Holder may exercise its right to acquire Common Shares by completing this form and surrendering it and the Warrant Certificate representing the Warrants being exercised to the Company at 365 Bay Street, Suite 500, Toronto, Ontario, Canada M5H 2V1 together with the subscription funds therefor by bank draft, certified cheque or other form of payment acceptable to the Company in lawful money of Canada payable to the Company.
2. If this form indicates that Common Shares are to be issued to a person or persons other than the Holder of the Warrant Certificate, the signature of such Holder on this form must be guaranteed by a Canadian chartered bank or an eligible guarantor institution with membership in an approved signature guarantee Medallion program.
3. If this form is signed by a trustee, executor, administrator, curator, guardian, attorney, officer of a corporation or any person acting in a judiciary or representative capacity, it must be accompanied by evidence of authority to sign satisfactory to the Company.
4. A 'U.S. Person' is defined in Regulation S under the 1933 Act to be any person who is

- (i) any natural person resident in the United States,
- (ii) any partnership or corporation organized or incorporated under the laws of the United States,
- (iii) any estate of which any executor or administrator is a U.S. Person,
- (iv) any trust of which any trustee is a U.S. Person,
- (v) any agency or branch of a foreign entity located in the United States,
- (vi) any non-discretionary account or similar account (other than an estate or trust) held by a dealer or other fiduciary organized, incorporated or, if an individual, resident in the United States, and
- (vii) any partnership or corporation if
  - (A) organized or incorporated under the laws of any foreign jurisdiction, and
  - (B) formed by a U.S. Person principally for the purpose of investing in securities not registered under the 1933 Act, unless it is organized or incorporated, and owned, by 'Accredited Investors' (as defined in Section 230.501(a) of the 1933 Act) who are not natural persons, estates or trusts.

**SCHEDULE "B"**  
**FORM OF CERTIFICATE**

**TO: TSX VENTURE EXCHANGE**

Reference is made to the Warrant Certificate dated November 17, 2016, between Sage Gold Inc. (the "**Company**") and \_\_\_\_\_ (the "**Holder**"). All capitalized terms used and not otherwise defined herein shall have the meanings ascribed thereto in the Warrant Certificate.

The undersigned officer of the Company hereby certifies, as an officer of the Company and not in the undersigned's personal capacity, intending that the same may be relied upon by you without further inquiry, as follows:

1. attached hereto is the Exercise Form of the Holder dated \_\_\_\_\_, 20\_\_\_\_, received by the Company in respect of the exercise of the Warrant by the Holder, which contains the Holder's representation and warranty as to the common shares of the Company and securities convertible into common shares of the Company owned or controlled by the Holder and its joint actors;
2. to the best of the knowledge of the undersigned upon reasonable investigation, the representations and warranties of the Holder set out in the Exercise Form, are accurate, and for the purposes of the foregoing, "the knowledge of the undersigned upon reasonable investigation" means the knowledge of the undersigned upon review of the Company's registered shareholder list and NOBO list.

DATED this \_\_\_\_\_, 20\_\_\_\_.

Per: \_\_\_\_\_  
Authorized Signatory

**SCHEDULE "C"**  
**WARRANT TRANSFER FORM**

**TO: SAGE GOLD INC.** (the "Company")

**FOR VALUE RECEIVED** the undersigned hereby sells, assigns and transfers to:

(the "Assignee")

---

Name

---

Address

---

\_\_\_\_\_ Warrants of the Company in accordance with the conditions set out in the Warrant Certificate surrendered herewith and does hereby appoint the Company as its attorney with full power of substitution to transfer the Warrants.

The Assignee agrees to be bound by the provisions of the Warrant Certificate dated November 17, 2016, entered into by the Company and agreed to by the Assignor, as if the Assignee were a party thereto.

Please issue and deliver a Warrant certificate in respect of the balance of the Warrants to the undersigned.

**DATED** this \_\_\_\_\_ day of \_\_\_\_\_, 20

\_\_\_\_\_  
Signature of Holder (if an individual)

\_\_\_\_\_  
Name of Holder (if not an individual)

Per:

\_\_\_\_\_  
Name of Holder (if an individual)

\_\_\_\_\_  
Signature of authorized representative

\_\_\_\_\_  
Name & Title of Authorized Representative

**Instructions**

1. The registered Holder may transfer one or more Warrants by completing this form and surrendering it and the Warrant certificate representing the Warrants being transferred to the Company at 365 Bay Street, Suite 500, Toronto, Ontario, Canada M5H 2V1. Certificates for the transferred Warrants and any remaining in the Holder's name will be made available for pick-up or mailed forthwith after the transfer of the Warrants.
2. If this form is signed by a trustee, executor, administrator, curator, guardian, attorney, officer of a corporation or any person acting in a judiciary or representative capacity, it must be accompanied by evidence of authority to sign satisfactory to the Company.
3. The signature of the Holder on this form must be guaranteed by an authorized officer of an investment dealer which is a member of a recognized stock exchange or of a chartered bank, trust company.

4. If the transferee of the Warrants is within the United States, is a U.S. Person (as described in Note 4 to the Warrant Exercise Form) or is acquiring the Warrants for the account or benefit of a U.S. Person or person within the United States, an opinion of U.S. legal counsel acceptable to the Company that an exemption from registration exists under the United States Securities Act of 1933, as amended and any applicable state securities law to permit the transfer of the Warrants must be delivered with this form.



## FORM 4C

# CORPORATE PLACEE REGISTRATION FORM

This Form will remain on file with the Exchange and must be completed if required under section 4(b) of Part II of Form 4B. The corporation, trust, portfolio manager or other entity (the “Placee”) need only file it on one time basis, and it will be referenced for all subsequent Private Placements in which it participates. If any of the information provided in this Form changes, the Placee must notify the Exchange prior to participating in further placements with Exchange listed Issuers. If as a result of the Private Placement, the Placee becomes an Insider of the Issuer, Insiders of the Placee are reminded that they must file a Personal Information Form (2A) or, if applicable, Declarations, with the Exchange.

1. Placee Information:
  - (a) Name: \_\_\_\_\_
  - (b) Complete Address: \_\_\_\_\_
  - (c) Jurisdiction of Incorporation or Creation: \_\_\_\_\_
  
2.
  - (a) Is the Placee purchasing securities as a portfolio manager: (Yes/No)? \_\_\_\_\_
  - (b) Is the Placee carrying on business as a portfolio manager outside of Canada: (Yes/No)? \_\_\_\_\_
  
3. If the answer to 2(b) above was “Yes”, the undersigned certifies that:
  - (a) it is purchasing securities of an Issuer on behalf of managed accounts for which it is making the investment decision to purchase the securities and has full discretion to purchase or sell securities for such accounts without requiring the client’s express consent to a transaction;
  - (b) it carries on the business of managing the investment portfolios of clients through discretionary authority granted by those clients (a “portfolio manager” business) in \_\_\_\_\_ [jurisdiction], and it is permitted by law to carry on a portfolio manager business in that jurisdiction;
  - (c) it was not created solely or primarily for the purpose of purchasing securities of the Issuer;

- (d) the total asset value of the investment portfolios it manages on behalf of clients is not less than \$20,000,000; and
  - (e) it has no reasonable grounds to believe, that any of the directors, senior officers and other insiders of the Issuer, and the persons that carry on investor relations activities for the Issuer has a beneficial interest in any of the managed accounts for which it is purchasing.
4. If the answer to 2(a). above was “No”, please provide the names and addresses of Control Persons of the Placee:

Name *	City	Province or State	Country

\* If the Control Person is not an individual, provide the name of the individual that makes the investment decisions on behalf of the Control Person.

5. Acknowledgement - Personal Information and Securities Laws

- (a) "Personal Information" means any information about an identifiable individual, and includes information contained in sections 1, 2 and 4, as applicable, of this Form.

The undersigned hereby acknowledges and agrees that it has obtained the express written consent of each individual to:

- (i) the disclosure of Personal Information by the undersigned to the Exchange (as defined in Appendix 6B) pursuant to this Form; and
- (ii) the collection, use and disclosure of Personal Information by the Exchange for the purposes described in Appendix 6B or as otherwise identified by the Exchange, from time to time.
- (b) The undersigned acknowledges that it is bound by the provisions of applicable Securities Law, including provisions concerning the filing of insider reports and reports of acquisitions.

Dated and certified (if applicable), acknowledged and agreed, at \_\_\_\_\_  
\_\_\_\_\_ on \_\_\_\_\_

\_\_\_\_\_  
(Name of Purchaser - please print)

\_\_\_\_\_  
(Authorized Signature)

\_\_\_\_\_  
(Official Capacity - please print)

\_\_\_\_\_  
(Please print name of individual whose signature  
appears above)

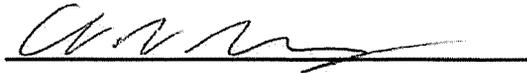
**THIS IS NOT A PUBLIC DOCUMENT**

**EXHIBIT " C "**

*referred to in the Affidavit of*

**ANDREW WEHRLEY**

*Sworn July 10, 2018*

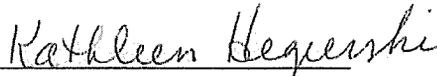


State of New York )

) ss.:

County of New York )

On this 10<sup>th</sup> day of July 2018 A.D. personally came before me, a Notary Public in and for said State duly commissioned and sworn,, Andrew Wehrley known to me personally to be such persons who executed such instrument, and acknowledged to me that such instrument was in his own proper handwriting, and that his act of executing and delivering such instrument was duly authorized.



Kathleen Hegierski, Notary  
01HE6155794 (Qualified in New York County)

KATHLEEN HEGIERSKI  
NOTARY PUBLIC-STATE OF NEW YORK  
No. 01HE6155794  
Qualified in New York County  
My Commission Expires November 20, 2021

**Properties**

*PIN* 65363 - 0001 LT *Interest/Estate* Leasehold  
*Description* PCL 1763 SEC LC MRO; N 1/2 OF N 1/2 LT 12 CON 6 STOCK BEING; MINING CLAIM P 724525 STOCK; MINING CLAIM P 724526 STOCK; BLACK RIVER-MATHESON  
*Address* MATHESON

*PIN* 65362 - 0567 LT *Interest/Estate* Leasehold  
*Description* PCL 1763 SEC LC MRO; N 1/2 OF N 1/2 LT 1 CON 6 GERMAN BEING; MINING CLAIM P 723319 GERMAN; MINING CLAIM P 723320 GERMAN; CITY OF TIMMINS  
*Address* TIMMINS

**Chargor(s)**

The chargor(s) hereby charges the land to the chargee(s). The chargor(s) acknowledges the receipt of the charge and the standard charge terms, if any.

*Name* SAGE GOLD INC.  
*Address for Service* 200 University Avenue, Suite 1301  
 Toronto, ON,  
 M5H 3C6  
 Attn: Nigel Lees, President and CEO

I, Nigel Lees, President and CEO, have the authority to bind the corporation.

This document is not authorized under Power of Attorney by this party.

**Chargee(s)***Capacity**Share*

*Name* CRH FUNDING II PTE. LTD.  
*Address for Service* 10 Changi Business Park Central 2  
 #05-01 HansaPoint  
 Singapore 486030

**Statements**

Schedule: See Schedules

In accordance with registration TBD, the consent of the Ministry of Northern Development and Mines has been obtained for the registration of this document.

In accordance with registration CLE1606 registered on 1995/02/27, Ministry of Northern Development and Mines has consented to the registration of this document. See Schedules

**Provisions**

*Principal* \$ 43,000,000.00 *Currency* CDN  
*Calculation Period* See Schedules  
*Balance Due Date* See Schedules  
*Interest Rate* See Schedules  
*Payments*  
*Interest Adjustment Date*  
*Payment Date* See Schedules  
*First Payment Date*  
*Last Payment Date*  
*Standard Charge Terms*  
*Insurance Amount* full insurable value  
*Guarantor*

**Signed By**

Buck Shane Alexander Sully	36 Toronto Street, Suite 920 Toronto M5C 2C5	acting for Chargor(s)	Signed	2017 04 06
Tel	416-367-2900			
Fax	416-367-2791			

I have the authority to sign and register the document on behalf of the Chargor(s).

**Submitted By**

KEEL COTTRELLE LLP	36 Toronto Street, Suite 920 Toronto M5C 2C5	2017 04 07
Tel	416-367-2900	
Fax	416-367-2791	

**Fees/Taxes/Payment**

Statutory Registration Fee	\$63.35
Total Paid	\$63.35

**File Number**

Chargor Client File Number : T9844



Additional Property Identifier(s) and/or Other Information

I hereby consent to the Debenture from SAGE GOLD INC. in favour of CRH FUNDING II PTE LTD., as authorized by the Executed Debenture dated November 22, 2016, insofar as the aforesaid instrument concerns the rights, entitlements and privileges granted and demised by the following Mining Leases held by SAGE GOLD INC.:

Part Mining Lease 109642, PIN 65363-0001(LT), PCL 1763 SEC LC; N1/2 of N1/2 Lot 12 Con 6, being Mining Claims P724525 and P724526; Township of Stock; Black River-Matheson; District of Cochrane; Mining Rights Only.

Part Mining Lease 109642, PIN 65362-0567(LT), PCL 1763 SEC LC; N1/2 of N1/2 Lot 1 Con 6, being Mining Claims P723319 and P723320; Township of German; City of Timmins; District of Cochrane; Mining Rights Only.

Mining Lease 109010, PIN 62504-2007, PCL 3387 SEC TBL; CLM401, land and land under PT1 55R8471 comprising Mining Claims TB386383, TB386384, TB386385, TB386386, TB386387, TB386390, TB386391, TB386392, TB456433, TB456434, TB456435 and TB456436; Coughlan Lake Area; District of Thunder Bay; Mining Rights Only.

Mining Lease 109011, PIN 62504-1660(LT), PCL 3386 SEC TBL; PT CLM402, being land and land under water comprising Mining Claims TB456437, TB456438, TB456439, TB456441, TB456442, TB456443, TB456444, TB456445 and TB456446 PT1 55R8469; Castlewood Lake Area; District of Thunder Bay; Mining Rights Only.

Dated at Sudbury, this 30<sup>th</sup> day of March, 2017

[Handwritten signature]

Clive D. Stephenson  
A/Senior Manager, Mining Lands Section  
On behalf of the Minister of Northern Development and Mines

FOR OFFICE USE ONLY

## DEBENTURE

### 1. DEBENTURE

- (a) SAGE GOLD INC. (the "Borrower"), a corporation incorporated under the laws of Ontario, for value received, hereby acknowledges itself indebted to CRH FUNDING II PTE. LTD. (the "Secured Party") and covenants and promises: (i) to pay to the Secured Party at 505 Fifth Ave., 15th Floor, New York, NY 10017 (or such other place as the Secured Party may designate in writing to the Borrower), on demand following the occurrence and during the continuance of an Event of Default, the principal sum of FORTY-THREE MILLION DOLLARS (\$43,000,000.00) in lawful money of Canada (the "Principal Sum"); and (ii) to perform the Secured Obligations (as defined herein). The Borrower promises to pay, on demand, interest in like money on the amount of the Principal Sum outstanding from time to time and on all other amounts from time to time owing hereunder at the rate of twenty-five percent (25%) per annum. Such interest will be payable both before and after maturity, demand, default and judgment. The Borrower promises to pay interest, on demand, at the same rate, on overdue interest, calculated and payable monthly on the first Business Day of each and every month until paid.
- (b) This Debenture is granted as collateral security for the payment and performance of all indebtedness, liabilities and obligations, present and future, direct or indirect, absolute or contingent of the Borrower and each of the Seller Guarantors (if any), at any time or from time to time due or accruing due and owing or otherwise payable to the Secured Party, in any currency, arising under, in connection with or pursuant to this Debenture, the Gold Prepayment Agreement and the other Documents, including, without limiting the generality of the foregoing, the Seller's Obligations and the Seller Guaranteed Obligations, and together with all Expenses (all of the foregoing being herein collectively called, the "Secured Obligations").

### 2. INTERPRETATION AND DEFINITIONS

In this Debenture, words in the singular include the plural and words in the plural include the singular. Words of masculine gender include the feminine gender and vice-versa. Furthermore, the division of this Debenture into sections and sub-sections and the insertion of headings is for convenience of reference only and does not affect the construction or the interpretation of this Debenture.

All capitalised terms not defined herein, shall have the meaning ascribed to such term in the Gold Prepayment Agreement.

"Additional Real Property Interests" has the meaning specified in Section 4(a)(ii);

"Book Debts" has the meaning specified in Section 4(c);

"Books & Records" has the meaning specified in Section 4(b)(ii);

"Collateral" means, collectively, all of the Borrower's right, title and interest in and to all of the Borrower's present and after-acquired property (real and personal), assets and undertakings, and all proceeds thereof (except the Excluded Collateral) of whatsoever nature and kind and wherever situate, including without limiting the generality of the foregoing all of the property described in paragraphs 4(a) and 4(b) and 4(c);

"Gold Prepayment Agreement" means the gold prepayment agreement dated as of November 17, 2016 between the Borrower, as seller, and the Secured Party, as purchaser, as such agreement may be amended, modified, supplemented or replaced from time to time;

"Debenture" means this debenture and all instruments or schedules in amendment or confirmation of it;

"Equipment" has the meaning specified in Section 4(b)(iii);

"Event of Default" has the same meaning ascribed to the term "Seller Event of Default" in the Gold Prepayment Agreement;

"Excluded Collateral" has the meaning specified in Section 4;

"Expenses" means all reasonable out-of-pocket expenses, costs and charges incurred by or on behalf of the Secured Party in connection with this Debenture, the Gold Prepayment Agreement and the other Documents (including all legal costs on a substantial indemnity basis and all court costs, receiver's or agent's remuneration and other reasonable out-of-pocket expenses of taking possession of, repairing, protecting, insuring, preparing for disposition, realizing, collecting, selling, transferring, delivering or obtaining payment for the Collateral, and of taking, defending or participating in any action or proceeding in connection with any of the foregoing matters or otherwise in connection with the Secured Party's interest in any Collateral, other than any such fees, expenses or costs arising as a result of the gross negligence or wilful misconduct of the Secured Party);

"Secured Obligations" has the meaning specified in Section 1(b);

"Inventory" has the meaning specified in Section 4(b)(iv);

"Instrument" means any contract, agreement, indenture, mortgage, document or writing (whether by formal agreement, letter or otherwise) under which any obligation is evidenced, assumed, or undertaken, or any Lien (or right or interest therein) is granted or perfected or purported to be granted or perfected;

"Lien" means (i) any mortgage, charge, pledge, hypothecation, security interest, assignment by way of security, encumbrance, lien (statutory or otherwise), hire purchase agreement, conditional sale agreement, deposit arrangement, title retention

agreement or arrangement, or any other assignment, arrangement or condition that in substance secures payment or performance of an obligation, (ii) any trust arrangement, (iii) any arrangement which creates a right of set-off out of the ordinary course of business, or (iv) any agreement to grant any such rights or interests;

"Mining Claims" has the meaning specified in Section 4(a)(i);

"Other Property" has the meaning specified in Section 4(b)(v);

"Proceeds" has the meaning specified in Section 4(b)(i);

"Real Property" has the meaning specified in Section 4(a)(i);

### 3. PARAMOUNTCY

This Debenture is being entered into pursuant to the Gold Prepayment Agreement. In the event of any conflict, inconsistency, ambiguity or difference between the terms of this Debenture and the terms of the Gold Prepayment Agreement, the terms of the Gold Prepayment Agreement shall govern and be paramount to the extent necessary to eliminate any such conflict, inconsistency, ambiguity or difference. Notwithstanding the foregoing, if there is any right or remedy of the Secured Party set out in this Debenture or any part hereof which is not set out or provided for in the Gold Prepayment Agreement, such additional right or remedy shall not constitute a conflict or inconsistency and the Secured Party shall, notwithstanding this Section 3, be entitled to exercise such rights and enforce such remedies. Without limiting the foregoing, notwithstanding the Principal Amount stated herein, the interest rate specified and the payment date of such interest set out in this Debenture, the Principal Amount due, the interest rate specified and the time for payment hereunder shall be in accordance with the terms of the Gold Prepayment Agreement.

### 4. SECURITY INTEREST

Security for Payment - As security for the payment and performance of the Secured Obligations, both present and future, and whether arising on current account or otherwise, together with interest thereon, and any and all liabilities, present and future, direct or indirect, absolute or contingent of the Borrower to the Secured Party, including, and without limiting the generality of the foregoing, any advance or re-advance, including every unpaid balance thereof, by the Secured Party to the Borrower, whenever made, and interest thereon to the same extent as if the advance or re-advance had been made at the time of creation of this Debenture, and for the performance of any and all present and future obligations of the Borrower to the Secured Party, arising under or in connection with the Gold Prepayment Agreement, the Borrower for good and valuable consideration:

- (a) grants, mortgages, charges, assigns and transfers to the Secured Party,
  - (i) as and by way of a fixed and specific mortgage, pledge and charge against (A) all freehold, leasehold and licenced real property or interest therein now owned, leased or licenced by the Borrower

including, but not limited to, the lands and premises described in Schedule "A" hereto as amended from time to time, together with all ore stock piles, buildings, erections and fixtures now or hereafter constructed or placed on such freehold, leasehold and licenced real property (collectively, the "Real Property"); and (B) the patented and unpatented mining claims described in Schedule "B" hereto, together with all ore stock piles, buildings, erections and fixtures now or hereafter constructed or placed on such mining claims (collectively, the "Mining Claims"), and

(ii) as and by way of a fixed and specific mortgage, pledge and charge against all freehold, leasehold and licenced real property or interests therein, including but not limited to an assignment as security of all mining leases, patented claims, rights, permits, profits a prendre, options, royalty agreements, licenses now owned, leased, or licenced, or hereafter owned, leased or licenced by or on behalf of the Borrower, together with all ore stock piles, buildings, erections and fixtures constructed or placed on such freehold, leasehold and licenced real property and all mines, Minerals and resources including, without limitation, all metallic and non-metallic minerals, including coal, salt, quarry and pit material, gold, silver, diamonds and all rare and precious minerals and metals, tailings, wasterock, stockpiles of ore or other material and all mineral bearing substances and other minerals of every kind and description whatsoever, now owned, held or hereafter acquired by the Borrower (collectively, the "Additional Real Property Interests");

(b) grants, mortgages, charges, assigns and transfers to the Secured Party a first floating charge, as and by way of a security interest over all of the Borrower's right, title and interest in and to all of the Borrower's present and after-acquired personal property and all proceeds thereof (except the Excluded Collateral) of whatsoever nature and kind and wherever situate including, without limiting the generality of the foregoing, all of the Borrower's right, title and interest in and to all of the Borrower's present and after-acquired Project Assets, together with:

(i) **Proceeds** - all of the Borrower's property in any form derived directly or indirectly from any use or dealing with the Collateral or that indemnifies or compensates for Collateral destroyed or damaged (all of which property is hereinafter collectively called "Proceeds");

(ii) **Books & Records** - all of the Borrower's deeds, documents, writings, papers, books of account and other books relating to or being records of debts, chattel paper, or documents of title or by which such are or may hereafter be secured, evidenced, acknowledged or made payable (all of which property is hereinafter collectively called "Books & Records");

- (iii) **Equipment** - all tools, machinery, equipment, furniture, plants, fixtures and other tangible personal property, vehicles and fixed goods and chattels (all of which property is hereinafter collectively called "Equipment");
  - (iv) **Inventory** - all goods and chattels now or hereafter forming the inventory of the Borrower, of whatever kind and wherever located, including, without limitation, all goods, merchandise, raw materials, ore stock, work in process, finished goods and chattels held for sale, lease or resale, or furnished or to be furnished under contracts for service or used or consumed in the business of the Borrower, goods used in or procured for packing or packaging, timber cut or to be cut, oil, gas and Minerals extracted (all of which goods and chattels are hereinafter collectively called "Inventory"); and
  - (v) **Other Property** - the undertaking and all other property and assets of the Borrower for the time being of whatsoever nature and kind both present and future including without limiting the generality of the foregoing, all choses in action, uncalled capital, moneys, rights, franchises, negotiable and non-negotiable Instruments, judgments, securities, Produced Gold and Refined Gold (all of which are hereinafter collectively called "Other Property"), other than that which is at any and all times validly subject to the first, fixed and specific mortgage and charge hereby created or subject to the assignment set forth in this Section 4(b); and
- (c) assigns, transfers, and sets over unto the Secured Party all debts, accounts, choses in action, claims, demands, and moneys now due or owing or accruing due or which may hereafter become due or owing to the Borrower, including (without limiting the foregoing) claims against the Crown in the right of Canada or of any province, moneys which may become payable under any policy of insurance in respect of any loss by fire or other cause which has been or may be incurred by the Borrower (collectively, "Book Debts"), together with all contracts, securities, bills, notes, Lien notes, judgments, chattel mortgagees, mortgages and all other rights, benefits and documents now or hereafter taken, vested in or held by the Borrower in respect of or as security for the Book Debts hereby assigned or intended so to be or any part thereof and the full benefit and advantage thereof and all rights of action, claim or demand which the Borrower now has or may at any time hereafter have against any Person in respect thereof. The Borrower further hereby covenants, promises and agrees to and with the Secured Party to well and truly execute or cause to be executed all or any such further or other document or documents as shall or may be required by the Secured Party to more completely or fully vest in the Secured Party the Book Debts hereby assigned or intended so to be and the right to receive the said moneys or to enable the Secured Party to recover same and will from time to time prepare and deliver to the Secured Party all deeds, books, vouchers,

promissory notes, bills of exchange, accounts, letters, invoices, papers and all other documents in any way relating to the Book Debts. Provided that this assignment is and shall be a continuing collateral security to the Secured Party for the Secured Obligations, all money or any other form of payment received by the Borrower in payment of any Book Debts shall be received and held by the Borrower in trust for the Secured Party.

To have and to hold the Collateral and all rights hereby conferred unto the Secured Party, its successors and assigns, forever for the uses and purposes, and with the powers and authorities, but subject to the terms and conditions herein set forth.

Last Day of Lease Not Included - Provided always that the last day of the term of any lease or sublease comprising any part of the Collateral, now held or hereafter acquired by the Borrower as lessee or sublessee, is hereby and shall be excepted out of the security constituted by this Debenture or by any other Instruments supplemental hereto (the "Excluded Collateral"), but the Borrower shall stand possessed of the reversion remaining in such leasehold or subleasehold interest with the Borrower's interest in such reversion in trust for the Secured Party for the purpose of these presents to assign and dispose thereof as the Secured Party shall, for such purpose, direct; and upon any assignment, sublease, transfer or transfers and/or sale or sales of such leasehold or subleasehold interest or any part thereof, the Secured Party, for the purpose of vesting the aforesaid residue of any such term or any renewal and/or extension thereof in any purchaser or purchasers thereof, shall be entitled by deed or writing to appoint such purchaser or purchasers or any other Person or Persons, a new holder or holders of the aforesaid residue of any such term or renewal and/or extension thereof in the place of the Borrower and to vest the same accordingly in the new holder or holders so appointed, released, freed and discharged from any obligation respecting the same.

5. ATTACHMENT & AFTER ACQUIRED PROPERTY

- (a) The Borrower hereby acknowledges and agrees that value has been given for the granting of the security interests created hereby and that there is no agreement between the Borrower and the Secured Party, express or implied, to postpone the attachment of the security interests created hereby except in respect of after-acquired property forming part of the Collateral with respect to which the security interests created hereby shall attach at the same time as the Borrower acquires rights therein or thereto.
- (b) The Borrower covenants and agrees that, if and to the extent that any of its respective rights, titles, estates and interests in any of the Collateral is not acquired until after delivery of this Debenture, this Debenture shall nonetheless apply thereto and the security interests of the Secured Party hereby created shall attach to such Collateral at the same time as the Borrower acquires rights therein, without the necessity of any further mortgage, charge, pledge, assignment or assurance and thereafter such Collateral shall be subject to the security interests created hereby in accordance with the provisions of Section 4 hereof. The Borrower covenants and agrees to take such actions and execute such further and other

documentation and/or instruments in respect of any after-acquired property at such time or times and in such form and manner as the Secured Party may reasonably request.

6. **BORROWER'S COVENANTS**

The Borrower represents, warrants and covenants that, so long as this Debenture remains in effect or any Secured Obligation remains outstanding, except as otherwise expressly provided in the Gold Prepayment Agreement:

- (a) **Hold Collateral** - it shall hold the Collateral and all rights hereby conferred unto the Secured Party, its successors and assigns, forever for the uses and purposes, and with the powers and authorities, but subject to the terms and conditions herein set forth;
- (b) **No Liens** - the Collateral and each and every part thereof shall be lawfully owned by the Borrower, free and clear of any and all prior mortgages, charges, Liens and other encumbrances save and except for Permitted Encumbrances (to the extent such Permitted Encumbrances remain in good standing in accordance with their terms).
- (c) **Defence of Title** - it shall warrant and defend the Collateral against the claims and demands of all other parties claiming the same or an interest therein, including, without limiting the generality of the foregoing, defend to the Secured Party, the security interests created and evidenced hereby and the validity and, subject to Permitted Encumbrances, first priority hereof in any action or proceeding against the claims of any and all persons whomsoever affecting or purporting to affect the Collateral or any of the rights of the Secured Party hereunder;
- (d) **Restriction in Collateral** - it shall not, without the prior written consent of the Secured Party, be at liberty to sell, exchange, transfer, assign, lease, encumber or otherwise dispose of: (A) any Real Property, Mining Claims, Additional Real Property Interests or any interest therein, or (B) any other Collateral, except for bona fide dispositions in the ordinary course of business at fair market value of any obsolete Equipment and of any Inventory or Other Property. The Borrower shall notify the Secured Party promptly of:
  - (i) any change in the information provided to the Secured Party in this Debenture or in the Schedules;
  - (ii) the details of any significant acquisition of Collateral;
  - (iii) the details of any claims or litigation before any court, administrative board or other tribunal affecting the Borrower or the Collateral;
  - (iv) any loss of or damage to the Collateral;

- (v) any default by any significant debtor of the Borrower in any payment or other performance of its obligations with respect to the Collateral;
  - (vi) the return to or repossession by the Borrower of any of the Collateral; and
  - (vii) any removal of any Collateral from any jurisdiction in which this Debenture is registered or the acquisition of any Collateral in any jurisdiction in which this Debenture is not registered;
- (e) **Conduct of Business** - it shall keep the Collateral in good order, condition and repair and not use the Collateral in violation of the provisions of this Debenture, the Gold Prepayment Agreement, or any other agreement relating to the Collateral or any policy insuring the Collateral or any Applicable Laws;
- (f) **Insurance** - it shall keep insured the Collateral with extended coverage against loss or damage by fire, theft, collision or other insurable hazards commonly insured against to the full insurable value thereof, with all such insurance to be maintained with such insurer or insurers as may be approved by the Secured Party, and the loss under all such insurance shall be payable to the Secured Party. The Borrower will cause to be affixed to each policy of insurance, a mortgage section or mortgage endorsement in form satisfactory to the Secured Party and provide for a minimum of thirty (30) days' notice to the Secured Party of cancellation or lapse of such insurance. The Borrower shall pay all premiums in connection with such insurance and will deposit certified copies of the insurance policies with the Secured Party or otherwise deal with them as the Secured Party may require;
- (g) **Payment of Taxes and other fees** - it shall pay all rents, taxes, rates, levies, assessments, government fees or dues, licence fees and other charges of every nature, including but not limited to assessment work, which shall be levied, assessed or imposed in respect of the Borrower or the Collateral or any part thereof as and when the same shall become due and payable, and shall exhibit to the Secured Party, when required, the receipts and vouchers evidencing such payment;
- (h) **Observance of Governmental Requirements and Covenants** - it shall comply with all Applicable Laws and it shall obtain all licences, permits and consents required to operate its business and maintain the Collateral in good standing;
- (i) **Provide Subsequent Charges** - it shall do, execute, acknowledge and deliver such financing statements and further mortgages, charges, assignments, transfers, documents, acts, matters and things (including further schedules and forms) as may be requested by the Secured Party of or with respect to the Collateral in order to give effect to this Debenture and shall pay all costs for searches and filings;

- (j) **Further Documentation** - to the extent not previously provided to the Secured Party, it will deliver to the Secured Party from time to time and promptly upon request:
- (A) any documents of title, Instruments, securities and chattel paper constituting, representing or relating to the Collateral;
  - (B) all books of account and all records, ledgers, reports, correspondence, schedules, documents, statements, lists and other writings and records relating to Collateral for the purpose of inspecting, auditing or copying same;
  - (C) all financial statements prepared by or for the Borrower regarding the Borrower's business;
  - (D) all policies and certificates of insurance relating and applying to the Collateral; and
  - (E) such information concerning the Collateral, the Borrower and the Borrower's business and affairs as the Secured Party may reasonably request;
- (k) **No Further Liens** - it shall not, without the prior written consent of the Secured Party create any prior security interest upon the Collateral or any part thereof or interest therein, whether ranking in priority over, *pari passu* with, or subordinate to the security created by this Debenture;
- (l) **Inspection** - the Secured Party shall have the right, at any time and from time to time, at its own risk, to verify the existence and state of the Collateral in any manner the Secured Party may consider appropriate and the Borrower agrees to furnish all assistance and information and perform all such acts as the Secured Party may request in connection with such inspections and for such purpose grant to the Secured Party or its agents access to all places where the Collateral may be located and to all premises occupied by the Borrower, in accordance with the Gold Prepayment Agreement;
- (m) **Consent of the Landlord or Licensor** - it shall, if necessary, obtain the consent of the landlord and/or licensor to the charging of any leasehold or licenced lands and premises that form part of the Collateral;
- (n) **Strict Compliance** - it shall strictly comply with every covenant, undertaking and agreement of any kind given to the Secured Party. If the Borrower should fail to perform any covenant, undertaking or agreement, the Secured Party may (but is not obligated to) itself perform or cause the same to be performed; all Expenses incurred or payments made by the Secured Party in so doing shall be paid by the Borrower and be secured by this Debenture; and

- (o) **Planning Act** - to the best of Borrower's knowledge, it is neither the recorded or beneficial owner of any abutting or adjoining fee surface rights.

7. **EVENTS OF DEFAULT**

- (a) **Events of Default** - The Principal Sum, interest and all other obligations secured shall become immediately payable and the security hereby constituted shall become enforceable upon the occurrence of an Event of Default and shall be enforceable for so long as such Event of Default is continuing.
- (b) **Waiver of Default** - If an Event of Default shall have occurred, the Secured Party shall have the power to waive any Event of Default hereunder if, in the Secured Party's sole and absolute opinion, the same shall have been cured or an adequate provision made therefor, upon such terms and conditions as the Secured Party may consider advisable, provided that no delay or omission of the Secured Party to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of the occurrence of any such Event of Default or acquiescence therein and provided further that no act or omission of the Secured Party shall extend to or be taken in any manner whatsoever to affect any subsequent Event of Default hereunder or the rights resulting therefrom.
- (c) **Dealing with the Secured Party** - No Person dealing with the Secured Party or any of its agents shall be required to enquire whether an Event of Default has occurred, or whether the powers which the Secured Party is purporting to exercise have become exercisable, or whether any moneys remain due under the Gold Prepayment Agreement or under this Debenture, or to see to the application of any moneys paid to the Secured Party, and in the absence of fraud on the part of such Person, such dealing shall be deemed to be within the powers hereby conferred and to be valid and effective accordingly.

8. **SECURED PARTY'S RIGHTS UPON SECURITY BECOMING ENFORCEABLE**

**Rights of the Secured Party** - Upon the occurrence and during the continuance of any Event of Default, the Secured Party may exercise and proceed to take any of the actions available to the Secured Party pursuant to Section 11.1 of the Gold Prepayment Agreement, and, whether or not the foregoing actions referred to have been taken, the Secured Party may:

- (a) **Take Possession** - immediately take possession of, collect, demand, sue on, enforce, recover and receive the Collateral and, whether or not the Secured Party has so taken possession, may sell, lease or otherwise dispose of the Collateral either as a whole or in separate parcels at public auction, by public tender or by private sale, either for cash or upon credit and at such time or times and upon such terms and conditions as the Secured Party may determine with or without notice, advertising or any other formality, all of

which are hereby waived by the Borrower; and the Secured Party may also rescind or vary any contract of sale that may have been entered into and resell with or under any other powers conferred without being answerable for any loss and may adjourn any such sale from time to time and the Secured Party may execute and deliver to any purchaser of the Collateral or any part thereof good and sufficient deeds and documents for the same, the Secured Party being irrevocably constituted the attorney of the Borrower for the purpose of making any such sale and executing such deeds and documents;

- (b) **Appointment of Receiver** - by Instrument in writing appoint any Person qualified under Applicable Laws, whether an officer or employee of the Secured Party or not, to be a receiver (which term shall include a receiver and manager) of the Collateral or of any part thereof and remove any receiver so appointed and appoint another instead; and, subject to the provisions of the Instrument appointing such receiver,

any such receiver so appointed shall have power (to the extent permitted by Applicable Laws):

- (i) to take possession of the Collateral or any part thereof;
- (ii) to carry on (or to concur in the carrying on of) all or any part of the business of the Borrower relating to the Collateral and to use the Collateral directly in carrying on the Borrower's business or as security for loans or advances to enable him to carry on the Borrower's business or otherwise;
- (iii) to make any arrangement or compromise which the receiver shall think expedient;
- (iv) to borrow money on the security of the Collateral and in priority to this Debenture for the purpose of the maintenance, preservation or protection of the Collateral or any part thereof or for carrying on all or any part of the business of the Borrower relating to the Collateral (and in so doing the receiver may issue certificates called "Receiver's Certificates"). Receiver's Certificates may be payable either to order or to bearer and may be payable at such time or times as the receiver may think expedient and shall bear interest as shall be stated therein and the amounts from time to time payable by virtue of Receiver's Certificates shall form a charge upon the Collateral in priority to the charge of this Debenture; and
- (v) to sell, lease or otherwise dispose of the whole or any part of the Collateral (or to concur therein) at public auction, by public tender or by private sale, with or without advertisement, for cash or upon credit or partly for cash and partly for credit, at such time and upon such terms and conditions as the receiver shall determine with or without

notice and with or without advertising and without any formality all of which are hereby waived by the Borrower, with power to vary or rescind any contract of sale or other contract, buy at any such auction, resell with or under any of the powers conferred hereunder without being answerable for any loss and adjourn any sale from time to time; and the receiver may execute and deliver to any purchaser of the Collateral or any part thereof good and sufficient deeds and documents for the same, the receiver being irrevocably constituted the attorney of the Borrower for the purpose of making any such sale and executing such deeds and documents, provided that such receiver shall be deemed the agent or attorney of the Borrower and not that of the Secured Party and the Secured Party shall not be in any way responsible for any misconduct, negligence, nonfeasance, acts or omissions of any such receiver, his servants, agents or employees. To facilitate the foregoing powers, any such receiver may, to the exclusion of all others, including the Borrower, enter upon, use and occupy all premises owned or occupied by the Borrower wherein the Collateral may be situate, maintain the Collateral upon such premises, borrow money and use Collateral directly in carrying on the Borrower's business or as security for loans or advances to enable him to carry on the Borrower's business or otherwise, as such receiver shall, in his discretion, determine. Except as may be otherwise directed by the Secured Party or the Gold Prepayment Agreement, the net profits of carrying on the said business and the net proceeds of sale shall be applied by the receiver, subject to claims ranking in priority to this Debenture as follows:

- (A) firstly, in payment or reimbursement to the Secured Party of the remuneration, Expenses, disbursements and advances of the Secured Party earned, incurred or made in the administration or enforcement of the Gold Prepayment Agreement, this Debenture or any other Security Document or otherwise in relation to the Gold Prepayment Agreement, this Debenture or any other Security Document;
- (B) secondly, in or towards payment or satisfaction of all other Secured Obligations; and
- (C) thirdly, the surplus (if any) of such moneys shall be paid to the Borrower or as it may direct;

and the following provisions shall apply:

- (vi) The Secured Party may at its discretion vest the receiver with all or any of the rights and powers of the Secured Party.

- (vii) The Secured Party may fix the remuneration of the receiver who shall be entitled to deduct the same out of the revenue or the sale proceeds of the Collateral.
  - (viii) The appointment of any such receiver by the Secured Party shall not result in or create any liability or obligation on the part of the Secured Party to the receiver or to the Borrower or to any other person and no appointment or removal of a receiver and no actions of a receiver shall constitute the Secured Party a mortgagee in possession or responsible as such.
  - (ix) No such receiver shall be liable to the Borrower to account for monies other than monies actually received by it in respect of the Collateral, or any part thereof.
  - (x) Save as to claims for accounting to which the Borrower is entitled under Applicable Laws pursuant to Section 8(b)(v), the Borrower hereby releases and discharges any such receiver from every claim of every nature, whether in damages or not which may arise or be caused to the Borrower or any person claiming through or under it by reason or as a result of anything done by such receiver unless such claim be the direct and proximate result of wilful misconduct, gross negligence, dishonesty or fraud.
  - (xi) The Secured Party may, at any time and from time to time, terminate any such receivership by notice in writing to the Borrower and to any such receiver.
  - (xii) The statutory declaration of an officer of the Secured Party as to the occurrence of an Event of Default, under the provisions of this Debenture and as to the due appointment of the receiver pursuant to the terms hereof shall be sufficient proof thereof for the purposes of any person dealing with a receiver who is ostensibly exercising powers herein provided for and such dealing shall be deemed, as regards such person, to be valid and effectual.
  - (xiii) The rights and powers conferred herein in respect of the receiver are supplemental to and not in substitution of any other rights and powers which the Secured Party may have.
- (c) Consultants - require the Borrower to engage a consultant of the Secured Party's choice, such consultant to receive the full cooperation and support of the Borrower and its employees including, without limitation, unrestricted access to the premises, books and records of the to the Borrower; all fees and Expenses of such consultant shall be for the account of the Borrower and the Borrower hereby authorizes such consultant to report directly to the Secured Party as well as to the Borrower and to disclose to the Secured Party any and all information obtained in the course of such consultant's employment;

- (d) **Further rights** - exercise any of the other rights to which the Secured Party is entitled as holder of this Debenture, including the right to take proceedings in any court of competent jurisdiction for the appointment of a receiver and manager, for the sale of the Collateral or any part thereof or for foreclosure, and the right to take any other actions, suit, remedy or proceeding authorized or permitted thereunder or by law or by equity in order to enforce the security constituted by this Debenture;
- (e) **Statutory rights** - in addition to those rights granted herein and in any other agreement now or hereafter in effect between the Borrower and the Secured Party and in addition to any other rights the Secured Party may have at law or in equity, the Secured Party shall have, both before and after default all rights and remedies of a secured party under Applicable Laws provided always that the Secured Party shall not be liable or accountable for any failure to exercise its remedies, take possession of, collect, enforce, realize, sell, lease or otherwise dispose of Collateral or to institute any proceedings for such purposes;
- (f) **Powers of Attorney** - act as attorney for the Borrower (and the Borrower grants to the Secured Party its irrevocable power of attorney, which power shall be binding upon the Borrower and all third parties) to execute and deliver on behalf of the Borrower all documents and Instruments as may be necessary to effect the transfer, assignments and enforcement procedures contemplated in this Debenture. This power of attorney, being coupled with interest, is irrevocable;
- (g) **Secured Party May Purchase Collateral** - may become (and any subsidiary, agent or representative of the Secured Party may become) purchasers at any sale of the Collateral, whether made under the powers of sale contained in this Debenture or pursuant to judicial proceedings, provided that if it acquires any Real Property or Mining Claims it shall acquire such Collateral subject to any existing royalty interests which (i) run with the lands, (ii) are registered against title to such Real Property or Mining Claims, as the case may be and (iii) are a Permitted Encumbrance;
- (h) **Sale, Bars, Claims through Borrower** - any such sale made as aforesaid shall be a perpetual bar, both in law and in equity, against the Borrower and all other persons claiming an interest in the Collateral or any part thereof, by, from, through or under the Borrower; and
- (i) **Sale Proceeds** - in the case of a sale for cash or credit, or part cash and part credit, the Secured Party shall be bound to pay to the Borrower only such moneys as have been actually received from purchasers after the satisfaction of all claims of the Secured Party including payment of any Expenses.

9. PRIOR ENCUMBRANCES AND EXPENSES

If an Event of Default has occurred and is continuing, the Secured Party may pay the amount of any Lien now or hereafter existing, or to arise or to be claimed upon the Collateral having priority over this Debenture, including any taxes, utility charges or other rates on the Collateral, or any of them, and in doing so may incur Expenses. The amount so paid shall be added to the debt hereby secured and be a charge on the Collateral and shall bear interest at the rate aforesaid, and shall be payable forthwith by the Borrower to the Secured Party. In the event of the Secured Party paying the amount of any such Lien, taxes or rates, either out of the monies advanced on the security or otherwise, the Secured Party shall be entitled to all the rights, equities and securities of the Borrower as against the person or persons, company, corporation, or Governmental Authority so paid.

10. SECURED PARTY NOT OBLIGED TO REALIZE SECURITY

The Secured Party shall not be liable or accountable for any failure to collect, enforce or realize an intangible and shall not be bound to institute proceedings for the purpose of collecting, enforcing or realizing the same for the purpose of preserving any right of the Secured Party, the Borrower or any other Person in respect of the same, and shall have no obligation to take any steps to preserve rights against prior parties to any indebtedness (including any Indebtedness (as defined in the Gold Prepayment Agreement)), Instrument or chattel paper whether Collateral or Proceeds and whether or not in the Secured Party's possession and shall not be liable or accountable for any delay in or failure to do so.

11. INDEMNITY

The Borrower shall indemnify the Secured Party and each of its Affiliates and their respective officers, directors, employees, agent and advisors (each such Person being called an "Indemnatee") against, and hold each Indemnatee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the reasonable fees, charges and disbursements of any counsel for any Indemnatee, incurred by any Indemnatee or asserted against any Indemnatee by any third party arising out of, in connection with, or as a result of the execution or delivery of this Debenture or any agreement or instrument contemplated hereby or thereby, the performance or non-performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation or non-consummation of the transactions contemplated hereby or thereby, other than losses, claims, damages, liabilities or related expenses which (i) are determined by a court of competent jurisdiction by final and non-appealable judgment to have resulted from the gross negligence or wilful misconduct of such Indemnatee or from disputes amongst Indemnitees or (ii) result from a claim brought by the Borrower against an Indemnatee for breach of such Indemnatee's obligations under this Debenture or any agreement or instrument contemplated hereby or thereby, if the Borrower has obtained a final and non-appealable judgment in its favour on such claim as determined by a court of competent jurisdiction.

12. NO RELEASE

This Debenture shall remain in full force and effect without regard to:

- (a) any assignment, extension, renewal, alteration, modification, amendment, supplement, restatement and/or replacement of or addition to any Security Documents, any other agreement by the Borrower in favour of the Secured Party, the Gold Prepayment Agreement and any other security (which term includes, any surety, guarantee or indemnity) provided to the Secured Party, and in such event, this Debenture shall not be deemed to have been discharged or redeemed or the amounts payable hereunder to have been satisfied or reduced by reason thereof;
- (b) any exercise or non-exercise of any right, remedy, power or privilege in respect of this Debenture, the Gold Prepayment Agreement, any other Security Documents, any other agreement between the Secured Party and the Borrower or any other security (which term includes, any guarantee or indemnity) provided to the Secured Party. The taking of any action or proceedings or refraining from so doing, or any other dealing with any other security for the monies secured hereby, shall not release or affect the charge of this Debenture and the taking of the security hereby granted or any proceedings hereunder for the realization of the security hereby granted and shall not release or affect any other security held by the Secured Party for the monies hereby secured;
- (c) any waiver, consent, release, extension, indulgence or other action, inaction or omission under or in respect of this Debenture, the Gold Prepayment Agreement, any other Security Documents, any other agreement between the Secured Party and the Borrower or any other security;
- (d) any default by the Borrower under, or any invalidity or unenforceability of, or any limitation on the liability of the Borrower or on the method or terms of payment under, or any irregularity or other defect in any Security Documents, the Gold Prepayment Agreement, any other agreement between the Secured Party and the Borrower or any other security;
- (e) any merger, consolidation or amalgamation of the Borrower into or with any other Person; or
- (f) any insolvency, bankruptcy, liquidation, reorganization, compromise, arrangement, composition, winding-up, dissolution or similar proceeding involving or affecting the Borrower.

13. DEMAND DEBENTURE

For greater certainty all amounts payable under this Debenture are payable on demand upon the occurrence of an Event of Default which is continuing.

14. DISCHARGE

Upon full and final payment and performance of the Secured Obligations in accordance with the Gold Prepayment Agreement, the Secured Party shall upon request in

writing by the Borrower deliver up this Debenture to the Borrower and shall at the expense of the Borrower cancel and discharge the security interests created hereby and execute and deliver to the Borrower such documents as shall be requisite to discharge such security interests. Any execution and delivery of documents pursuant to this Section 14 shall be without recourse to or warranty by the Secured Party.

15. NOTICES

- (a) Notices. Any notice or communication required or permitted to be given under this Debenture shall be in writing and will be made in accordance with the notice provisions of the Gold Prepayment Agreement and shall be deemed to have been given or made at such time as set out in the Gold Prepayment Agreement.
- (b) Waiver of Notice. Any notice provided for in this Debenture may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice.

16. DEBENTURE TO BE CONTINUING SECURITY

The remedies of the Secured Party under this Debenture may be exercised from time to time separately or in combination and are in addition to and not in substitution for any other rights of the Secured Party however created. The execution and delivery of this Debenture shall not act as a merger of any simple contract debt or suspend the fulfilment of, or affect the rights, remedies or powers of the Secured Party in respect of, any present or future debts, liabilities or obligations of the Borrower to the Secured Party or any security now or hereafter held by the Secured Party for the payment or fulfilment thereof.

17. NO OBLIGATION TO ADVANCE

Neither the execution and delivery nor the registration of this Debenture shall for any reason whatsoever obligate or bind the Secured Party to advance any monies, or, having advanced a portion, obligate the Secured Party in any way to advance the balance thereof; but nevertheless the charge shall take effect forthwith upon execution of this Debenture and shall operate as security for the actual amount of all the debts and liabilities, present or future, direct or indirect, absolute or contingent, matured or not, at any time owing by the Borrower to the Secured Party under the Gold Prepayment Agreement, the other Documents and otherwise owing under this Debenture.

18. SET-OFF

The Principal Sum, interest and other amounts hereby secured will be paid and shall be assignable in accordance with the terms of the Gold Prepayment Agreement, without regard to any set-off, counter-claim or equities between the Borrower and the Secured Party. Notwithstanding the foregoing, and any other provision of this Debenture, the Secured Party may at any time, without notice to the Borrower or to any other Person, and from time to time, set-off, appropriate and apply any and all deposits by or for the benefit of the Borrower with the Secured Party, general or special, matured or unmatured, and any other

indebtedness of the Secured Party to the Borrower, against and on account of the Secured Obligations secured hereby irrespective of whether or not the Secured Party has made any demand for payment or the Secured Obligations secured hereby is due.

19. DEFICIENCY

Without limiting any rights the Borrower may have at law, the Borrower shall be liable to pay any deficiency in the obligations secured hereunder that are remaining after the sale or disposition of the Collateral.

20. REVOLVING CREDIT

It is acknowledged and agreed that this Debenture secures, *inter alia*, from time to time, the Tranches and shall not be considered to have been satisfied or discharged by any intermediate payment of the whole or part of the Secured Obligations. This Debenture secures all of the Secured Obligations, including the First Tranche and the Second Tranche made under the Gold Prepayment Agreement.

21. PROVISIONS REASONABLE

Each party hereto acknowledges and declares that it has entered into this Debenture freely and of its own will. In particular, each party hereto acknowledges that this Debenture was freely negotiated by the Borrower and the Secured Party in good faith, that this Debenture does not constitute a contract of adhesion, that there was no exploitation of the Borrower by the Secured Party, and that there is no disproportion between the consideration provided by the Secured Party and that provided by the Borrower.

22. GOVERNING LAW

This Debenture shall be governed in all respects by the law of the Province of Ontario, and the laws of Canada applicable therein.

23. FURTHER ACTS

The Borrower authorizes the Secured Party to file such financing statements and other documents and do such acts, matters and things (including completing and adding schedules identifying the Collateral or any Permitted Encumbrances affecting the Collateral or identifying the locations at which the Borrower's business is carried on and the Collateral and records relating thereto are located) as the Secured Party may deem appropriate to perfect and continue the grant(s), mortgage(s), charge(s), assignment(s) and transfer(s) of this Debenture and the security interests created hereby, to protect and preserve the Collateral and to realize upon this Debenture and the Borrower hereby irrevocably constitutes and appoints the manager from time to time of the Secured Party the true and lawful attorney of the Borrower, with full power of substitution, to do any of the foregoing in the name of the Borrower whenever and wherever it may be deemed necessary or expedient.

Notwithstanding any provision to the contrary, to the extent that the Borrower's interest in the subject matter of the herein granted security would be forfeited, surrendered, released, vacated or otherwise relinquished or extinguished if one or more necessary third party consents to Borrower's grant of said security was or were not received by Borrower (such possibly relinquished or extinguished interests being "Excepted Interests"), then Borrower's herein grant of security of or in any Excepted Interest requiring such third party consent will not attach or occur until such time as all such third party consents for said Excepted Interest security grant are received by Borrower.

**24. SUCCESSORS AND ASSIGNS**

- (a) The Borrower is not entitled to assign its rights and obligations under this Debenture without the prior written consent of the Secured Party, which consent may be unreasonably withheld. Any purported assignment by the Borrower, made without the prior written consent of the Secured Party, shall be null and void.
- (b) The Secured Party shall be entitled to assign its rights and obligations under this Debenture at any time on written notice, and without the consent of, the Borrower.
- (c) This Debenture shall enure to the benefit of and be binding upon the parties and their respective successors and permitted assigns including, without limitation, any entity with which the Borrower may be amalgamated.
- (d) In any action brought by an assignee of this Debenture and the security interests or any part thereof to enforce any rights hereunder, the Borrower shall not assert against the assignee any claim or defence which the Borrower now has or hereafter may have against the Secured Party.

**25. AMENDMENTS**

Save for any schedules which may be added hereto pursuant to the provisions hereof, no modification, variation or amendment of any provision of this Debenture shall be made except by a written agreement executed by the parties hereto, and no waiver of any provision hereof shall be effective unless expressly stated in writing.

**26. INVALIDITY**

In the event the terms and provisions of this Debenture, as amended from time to time, shall be deemed invalid or void, in whole or in part, by any Court of competent jurisdiction, the remaining terms of this Debenture shall remain in full force and effect.

**27. RECEIPT OF COPY**

The Borrower acknowledges receipt of a copy of this Debenture by signing it.

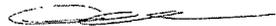
28. EXECUTION IN COUNTERPARTS AND ELECTRONIC SIGNATURES

This Debenture may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. This Debenture may be validly executed and delivered by facsimile, portable document format (.pdf) or other electronic transmission (including e-mail), and a signature by facsimile, portable document format (.pdf) or other electronic transmission (including e-mail) shall be as effective and binding as an original signature.

*[Signature page follows.]*

IN WITNESS WHEREOF, the Borrower has executed this Debenture this 17 day of November, 2016.

SAGE GOLD INC.



By: \_\_\_\_\_

Name: Nigel Lees

Title: President and Chief Executive Officer

Schedule "A"  
Real Property

Clavos Properties

Leasehold Parcel Registers (PINs) in Land Registry Office # 6 (Cochrane):

65363-0001 (LT)
65362-0567 (LT)

Onaman Properties

Leasehold Parcel Registers (PINs) in Land Registry Office # 55 (Thunder Bay):

62504-2007 (LT)
62504-1660 (LT)

Schedule "B"  
Mining Claims

N/A

**Properties**

<i>PIN</i>	62504 - 2007 LT	<i>Interest/Estate</i>	Leasehold
<i>Description</i>	PCL 3387 SEC TBL; CLM 401 UNSURVEYED TERRITORY MRO OVER LAND AND LAND UNDER PT 1 55R8471 COMPRISING MINING CLAIMS TB 386383, TB 386384, TB 386385, TB 386386, TB 386387, TB 386390, TB 386391, TB 386392, TB 456433, TB 456434, TB 456435, TB 456436; DISTRICT OF THUNDER BAY		
<i>Address</i>	THUNDER BAY		
<i>PIN</i>	62504 - 1660 LT	<i>Interest/Estate</i>	Leasehold
<i>Description</i>	PCL 3386 SEC TBL; PT CLM 402 UNSURVEYED TERRITORY MRO BEING LAND & LAND UNDER WATER BEING PT OF PERIMETER SURVEY, COMPRISING MINING CLAIMS TB 456437, TB 456438, TB 456439, TB 456441, TB 456442, TB 456443, TB 456444, TB 456445 & TB 456446 PT 1 55R8469; DISTRICT OF THUNDER BAY		
<i>Address</i>	THUNDER BAY		

**Chargor(s)**

The chargor(s) hereby charges the land to the chargee(s). The chargor(s) acknowledges the receipt of the charge and the standard charge terms, if any.

*Name* SAGE GOLD INC.  
*Address for Service* 200 University Avenue, Suite 1301  
 Toronto, ON  
 M5H 3C6  
 Attn: Nigel Lees, President and CEO

I, Nigel Lees, President and CEO, have the authority to bind the corporation.

This document is not authorized under Power of Attorney by this party.

**Chargee(s)***Capacity**Share*

*Name* CRH FUNDING II PTE. LTD.  
*Address for Service* 10 Changi Business Park Central 2  
 #05-01 HansaPoint  
 Singapore 486030

**Statements**

Schedule: See Schedules

In accordance with registration F15279/80, Ministry of Northern Development and Mines has consented to the registration of this document. See Schedules

**Provisions**

<i>Principal</i>	\$ 43,000,000.00	<i>Currency</i>	CDN
<i>Calculation Period</i>	See Schedules		
<i>Balance Due Date</i>	See Schedules		
<i>Interest Rate</i>	See Schedules		
<i>Payments</i>			
<i>Interest Adjustment Date</i>			
<i>Payment Date</i>	See Schedules		
<i>First Payment Date</i>			
<i>Last Payment Date</i>			
<i>Standard Charge Terms</i>			
<i>Insurance Amount</i>	full insurable value		
<i>Guarantor</i>			

The applicant(s) hereby applies to the Land Registrar.

yyyy mm dd Page 2 of 2

**Signed By**

Buck Shane Alexander Sully	36 Toronto Street, Suite 920 Toronto M5C 2C5	acting for Chargor(s)	Signed	2017 04 06
Tel	416-367-2900			
Fax	416-367-2791			

I have the authority to sign and register the document on behalf of the Chargor(s).

**Submitted By**

KEEL COTTRELLE LLP	36 Toronto Street, Suite 920 Toronto M5C 2C5	2017 04 07
Tel	416-367-2900	
Fax	416-367-2791	

**Fees/Taxes/Payment**

Statutory Registration Fee	\$63.35
Total Paid	\$63.35

**File Number**

Chargor Client File Number : T9844



Additional Property Identifier(s) and/or Other Information

I hereby consent to the Debenture from SAGE GOLD INC. in favour of CRH FUNDING II PTE LTD., as authorized by the Executed Debenture dated November 22, 2016, insofar as the aforesaid instrument concerns the rights, entitlements and privileges granted and demised by the following Mining Leases held by SAGE GOLD INC.:

Part Mining Lease 109642, PIN 65363-0001(LT), PCL 1763 SEC LC; N1/2 of N1/2 Lot 12 Con 6, being Mining Claims P724525 and P724526; Township of Stock; Black River-Matheson; District of Cochrane; Mining Rights Only.

Part Mining Lease 109642, PIN 65362-0567(LT), PCL 1763 SEC LC; N1/2 of N1/2 Lot 1 Con 6, being Mining Claims P723319 and P723320; Township of German; City of Timmins; District of Cochrane; Mining Rights Only.

Mining Lease 109010, PIN 62504-2007, PCL 3387 SEC TBL; CLM401, land and land under PT1 55R8471 comprising Mining Claims TB386383, TB386384, TB386385, TB386386, TB386387, TB386390, TB386391, TB386392, TB456433, TB456434, TB456435 and TB456436; Coughlan Lake Area; District of Thunder Bay; Mining Rights Only.

Mining Lease 109011, PIN 62504-1660(LT), PCL 3386 SEC TBL; PT CLM402, being land and land under water comprising Mining Claims TB456437, TB456438, TB456439, TB456441, TB456442, TB456443, TB456444, TB456445 and TB456446 PT1 55R8469; Castlewood Lake Area; District of Thunder Bay; Mining Rights Only.

Dated at Sudbury, this 30<sup>th</sup> day of March, 2017

Clive D. Stephenson  
A/Senior Manager, Mining Lands Section  
On behalf of the Minister of Northern Development and Mines

FOR OFFICE USE ONLY

## DEBENTURE

### 1. DEBENTURE

- (a) SAGE GOLD INC. (the "Borrower"), a corporation incorporated under the laws of Ontario, for value received, hereby acknowledges itself indebted to CRH FUNDING II PTE. LTD. (the "Secured Party") and covenants and promises: (i) to pay to the Secured Party at 505 Fifth Ave., 15th Floor, New York, NY 10017 (or such other place as the Secured Party may designate in writing to the Borrower), on demand following the occurrence and during the continuance of an Event of Default, the principal sum of FORTY-THREE MILLION DOLLARS (\$43,000,000.00) in lawful money of Canada (the "Principal Sum"); and (ii) to perform the Secured Obligations (as defined herein). The Borrower promises to pay, on demand, interest in like money on the amount of the Principal Sum outstanding from time to time and on all other amounts from time to time owing hereunder at the rate of twenty-five percent (25%) per annum. Such interest will be payable both before and after maturity, demand, default and judgment. The Borrower promises to pay interest, on demand, at the same rate, on overdue interest, calculated and payable monthly on the first Business Day of each and every month until paid.
- (b) This Debenture is granted as collateral security for the payment and performance of all indebtedness, liabilities and obligations, present and future, direct or indirect, absolute or contingent of the Borrower and each of the Seller Guarantors (if any), at any time or from time to time due or accruing due and owing or otherwise payable to the Secured Party, in any currency, arising under, in connection with or pursuant to this Debenture, the Gold Prepayment Agreement and the other Documents, including, without limiting the generality of the foregoing, the Seller's Obligations and the Seller Guaranteed Obligations, and together with all Expenses (all of the foregoing being herein collectively called, the "Secured Obligations").

### 2. INTERPRETATION AND DEFINITIONS

In this Debenture, words in the singular include the plural and words in the plural include the singular. Words of masculine gender include the feminine gender and vice-versa. Furthermore, the division of this Debenture into sections and sub-sections and the insertion of headings is for convenience of reference only and does not affect the construction or the interpretation of this Debenture.

All capitalised terms not defined herein, shall have the meaning ascribed to such term in the Gold Prepayment Agreement.

"Additional Real Property Interests" has the meaning specified in Section 4(a)(ii);

"Book Debts" has the meaning specified in Section 4(c);

"Books & Records" has the meaning specified in Section 4(b)(ii);

"Collateral" means, collectively, all of the Borrower's right, title and interest in and to all of the Borrower's present and after-acquired property (real and personal), assets and undertakings, and all proceeds thereof (except the Excluded Collateral) of whatsoever nature and kind and wherever situate, including without limiting the generality of the foregoing all of the property described in paragraphs 4(a) and 4(b) and 4(c);

"Gold Prepayment Agreement" means the gold prepayment agreement dated as of November 17, 2016 between the Borrower, as seller, and the Secured Party, as purchaser, as such agreement may be amended, modified, supplemented or replaced from time to time;

"Debenture" means this debenture and all instruments or schedules in amendment or confirmation of it;

"Equipment" has the meaning specified in Section 4(b)(iii);

"Event of Default" has the same meaning ascribed to the term "Seller Event of Default" in the Gold Prepayment Agreement;

"Excluded Collateral" has the meaning specified in Section 4;

"Expenses" means all reasonable out-of-pocket expenses, costs and charges incurred by or on behalf of the Secured Party in connection with this Debenture, the Gold Prepayment Agreement and the other Documents (including all legal costs on a substantial indemnity basis and all court costs, receiver's or agent's remuneration and other reasonable out-of-pocket expenses of taking possession of, repairing, protecting, insuring, preparing for disposition, realizing, collecting, selling, transferring, delivering or obtaining payment for the Collateral, and of taking, defending or participating in any action or proceeding in connection with any of the foregoing matters or otherwise in connection with the Secured Party's interest in any Collateral, other than any such fees, expenses or costs arising as a result of the gross negligence or wilful misconduct of the Secured Party);

"Secured Obligations" has the meaning specified in Section 1(b);

"Inventory" has the meaning specified in Section 4(b)(iv);

"Instrument" means any contract, agreement, indenture, mortgage, document or writing (whether by formal agreement, letter or otherwise) under which any obligation is evidenced, assumed, or undertaken, or any Lien (or right or interest therein) is granted or perfected or purported to be granted or perfected;

"Lien" means (i) any mortgage, charge, pledge, hypothecation, security interest, assignment by way of security, encumbrance, lien (statutory or otherwise), hire purchase agreement, conditional sale agreement, deposit arrangement, title retention

agreement or arrangement, or any other assignment, arrangement or condition that in substance secures payment or performance of an obligation, (ii) any trust arrangement, (iii) any arrangement which creates a right of set-off out of the ordinary course of business, or (iv) any agreement to grant any such rights or interests;

"Mining Claims" has the meaning specified in Section 4(a)(i);

"Other Property" has the meaning specified in Section 4(b)(v);

"Proceeds" has the meaning specified in Section 4(b)(i);

"Real Property" has the meaning specified in Section 4(a)(i);

### 3. PARAMOUNTCY

This Debenture is being entered into pursuant to the Gold Prepayment Agreement. In the event of any conflict, inconsistency, ambiguity or difference between the terms of this Debenture and the terms of the Gold Prepayment Agreement, the terms of the Gold Prepayment Agreement shall govern and be paramount to the extent necessary to eliminate any such conflict, inconsistency, ambiguity or difference. Notwithstanding the foregoing, if there is any right or remedy of the Secured Party set out in this Debenture or any part hereof which is not set out or provided for in the Gold Prepayment Agreement, such additional right or remedy shall not constitute a conflict or inconsistency and the Secured Party shall, notwithstanding this Section 3, be entitled to exercise such rights and enforce such remedies. Without limiting the foregoing, notwithstanding the Principal Amount stated herein, the interest rate specified and the payment date of such interest set out in this Debenture, the Principal Amount due, the interest rate specified and the time for payment hereunder shall be in accordance with the terms of the Gold Prepayment Agreement.

### 4. SECURITY INTEREST

**Security for Payment** - As security for the payment and performance of the Secured Obligations, both present and future, and whether arising on current account or otherwise, together with interest thereon, and any and all liabilities, present and future, direct or indirect, absolute or contingent of the Borrower to the Secured Party, including, and without limiting the generality of the foregoing, any advance or re-advance, including every unpaid balance thereof, by the Secured Party to the Borrower, whenever made, and interest thereon to the same extent as if the advance or re-advance had been made at the time of creation of this Debenture, and for the performance of any and all present and future obligations of the Borrower to the Secured Party, arising under or in connection with the Gold Prepayment Agreement, the Borrower for good and valuable consideration:

- (a) grants, mortgages, charges, assigns and transfers to the Secured Party,
  - (i) as and by way of a fixed and specific mortgage, pledge and charge against (A) all freehold, leasehold and licenced real property or interest therein now owned, leased or licenced by the Borrower

including, but not limited to, the lands and premises described in Schedule "A" hereto as amended from time to time, together with all ore stock piles, buildings, erections and fixtures now or hereafter constructed or placed on such freehold, leasehold and licenced real property (collectively, the "Real Property"); and (B) the patented and unpatented mining claims described in Schedule "B" hereto, together with all ore stock piles, buildings, erections and fixtures now or hereafter constructed or placed on such mining claims (collectively, the "Mining Claims"), and

(ii) as and by way of a fixed and specific mortgage, pledge and charge against all freehold, leasehold and licenced real property or interests therein, including but not limited to an assignment as security of all mining leases, patented claims, rights, permits, profits a prendre, options, royalty agreements, licenses now owned, leased, or licenced, or hereafter owned, leased or licenced by or on behalf of the Borrower, together with all ore stock piles, buildings, erections and fixtures constructed or placed on such freehold, leasehold and licenced real property and all mines, Minerals and resources including, without limitation, all metallic and non-metallic minerals, including coal, salt, quarry and pit material, gold, silver, diamonds and all rare and precious minerals and metals, tailings, wasterock, stockpiles of ore or other material and all mineral bearing substances and other minerals of every kind and description whatsoever, now owned, held or hereafter acquired by the Borrower (collectively, the "Additional Real Property Interests");

(b) grants, mortgages, charges, assigns and transfers to the Secured Party a first floating charge, as and by way of a security interest over all of the Borrower's right, title and interest in and to all of the Borrower's present and after-acquired personal property and all proceeds thereof (except the Excluded Collateral) of whatsoever nature and kind and wherever situate including, without limiting the generality of the foregoing, all of the Borrower's right, title and interest in and to all of the Borrower's present and after-acquired Project Assets, together with:

(i) Proceeds - all of the Borrower's property in any form derived directly or indirectly from any use or dealing with the Collateral or that indemnifies or compensates for Collateral destroyed or damaged (all of which property is hereinafter collectively called "Proceeds");

(ii) Books & Records - all of the Borrower's deeds, documents, writings, papers, books of account and other books relating to or being records of debts, chattel paper, or documents of title or by which such are or may hereafter be secured, evidenced, acknowledged or made payable (all of which property is hereinafter collectively called "Books & Records");

- (iii) **Equipment** - all tools, machinery, equipment, furniture, plants, fixtures and other tangible personal property, vehicles and fixed goods and chattels (all of which property is hereinafter collectively called "Equipment");
  - (iv) **Inventory** - all goods and chattels now or hereafter forming the inventory of the Borrower, of whatever kind and wherever located, including, without limitation, all goods, merchandise, raw materials, ore stock, work in process, finished goods and chattels held for sale, lease or resale, or furnished or to be furnished under contracts for service or used or consumed in the business of the Borrower, goods used in or procured for packing or packaging, timber cut or to be cut, oil, gas and Minerals extracted (all of which goods and chattels are hereinafter collectively called "Inventory"); and
  - (v) **Other Property** - the undertaking and all other property and assets of the Borrower for the time being of whatsoever nature and kind both present and future including without limiting the generality of the foregoing, all choses in action, uncalled capital, moneys, rights, franchises, negotiable and non-negotiable Instruments, judgments, securities, Produced Gold and Refined Gold (all of which are hereinafter collectively called "Other Property"), other than that which is at any and all times validly subject to the first, fixed and specific mortgage and charge hereby created or subject to the assignment set forth in this Section 4(b); and
- (c) assigns, transfers, and sets over unto the Secured Party all debts, accounts, choses in action, claims, demands, and moneys now due or owing or accruing due or which may hereafter become due or owing to the Borrower, including (without limiting the foregoing) claims against the Crown in the right of Canada or of any province, moneys which may become payable under any policy of insurance in respect of any loss by fire or other cause which has been or may be incurred by the Borrower (collectively, "Book Debts"), together with all contracts, securities, bills, notes, Lien notes, judgments, chattel mortgagees, mortgages and all other rights, benefits and documents now or hereafter taken, vested in or held by the Borrower in respect of or as security for the Book Debts hereby assigned or intended so to be or any part thereof and the full benefit and advantage thereof and all rights of action, claim or demand which the Borrower now has or may at any time hereafter have against any Person in respect thereof. The Borrower further hereby covenants, promises and agrees to and with the Secured Party to well and truly execute or cause to be executed all or any such further or other document or documents as shall or may be required by the Secured Party to more completely or fully vest in the Secured Party the Book Debts hereby assigned or intended so to be and the right to receive the said moneys or to enable the Secured Party to recover same and will from time to time prepare and deliver to the Secured Party all deeds, books, vouchers,

promissory notes, bills of exchange, accounts, letters, invoices, papers and all other documents in any way relating to the Book Debts. Provided that this assignment is and shall be a continuing collateral security to the Secured Party for the Secured Obligations, all money or any other form of payment received by the Borrower in payment of any Book Debts shall be received and held by the Borrower in trust for the Secured Party.

To have and to hold the Collateral and all rights hereby conferred unto the Secured Party, its successors and assigns, forever for the uses and purposes, and with the powers and authorities, but subject to the terms and conditions herein set forth.

**Last Day of Lease Not Included** - Provided always that the last day of the term of any lease or sublease comprising any part of the Collateral, now held or hereafter acquired by the Borrower as lessee or sublessee, is hereby and shall be excepted out of the security constituted by this Debenture or by any other Instruments supplemental hereto (the "Excluded Collateral"), but the Borrower shall stand possessed of the reversion remaining in such leasehold or subleasehold interest with the Borrower's interest in such reversion in trust for the Secured Party for the purpose of these presents to assign and dispose thereof as the Secured Party shall, for such purpose, direct; and upon any assignment, sublease, transfer or transfers and/or sale or sales of such leasehold or subleasehold interest or any part thereof, the Secured Party, for the purpose of vesting the aforesaid residue of any such term or any renewal and/or extension thereof in any purchaser or purchasers thereof, shall be entitled by deed or writing to appoint such purchaser or purchasers or any other Person or Persons, a new holder or holders of the aforesaid residue of any such term or renewal and/or extension thereof in the place of the Borrower and to vest the same accordingly in the new holder or holders so appointed, released, freed and discharged from any obligation respecting the same.

5. **ATTACHMENT & AFTER ACQUIRED PROPERTY**

- (a) The Borrower hereby acknowledges and agrees that value has been given for the granting of the security interests created hereby and that there is no agreement between the Borrower and the Secured Party, express or implied, to postpone the attachment of the security interests created hereby except in respect of after-acquired property forming part of the Collateral with respect to which the security interests created hereby shall attach at the same time as the Borrower acquires rights therein or thereto.
- (b) The Borrower covenants and agrees that, if and to the extent that any of its respective rights, titles, estates and interests in any of the Collateral is not acquired until after delivery of this Debenture, this Debenture shall nonetheless apply thereto and the security interests of the Secured Party hereby created shall attach to such Collateral at the same time as the Borrower acquires rights therein, without the necessity of any further mortgage, charge, pledge, assignment or assurance and thereafter such Collateral shall be subject to the security interests created hereby in accordance with the provisions of Section 4 hereof. The Borrower covenants and agrees to take such actions and execute such further and other

documentation and/or instruments in respect of any after-acquired property at such time or times and in such form and manner as the Secured Party may reasonably request.

6. **BORROWER'S COVENANTS**

The Borrower represents, warrants and covenants that, so long as this Debenture remains in effect or any Secured Obligation remains outstanding, except as otherwise expressly provided in the Gold Prepayment Agreement:

- (a) **Hold Collateral** - it shall hold the Collateral and all rights hereby conferred unto the Secured Party, its successors and assigns, forever for the uses and purposes, and with the powers and authorities, but subject to the terms and conditions herein set forth;
- (b) **No Liens** - the Collateral and each and every part thereof shall be lawfully owned by the Borrower, free and clear of any and all prior mortgages, charges, Liens and other encumbrances save and except for Permitted Encumbrances (to the extent such Permitted Encumbrances remain in good standing in accordance with their terms).
- (c) **Defence of Title** - it shall warrant and defend the Collateral against the claims and demands of all other parties claiming the same or an interest therein, including, without limiting the generality of the foregoing, defend to the Secured Party, the security interests created and evidenced hereby and the validity and, subject to Permitted Encumbrances, first priority hereof in any action or proceeding against the claims of any and all persons whomsoever affecting or purporting to affect the Collateral or any of the rights of the Secured Party hereunder;
- (d) **Restriction in Collateral** - it shall not, without the prior written consent of the Secured Party, be at liberty to sell, exchange, transfer, assign, lease, encumber or otherwise dispose of: (A) any Real Property, Mining Claims, Additional Real Property Interests or any interest therein, or (B) any other Collateral, except for bona fide dispositions in the ordinary course of business at fair market value of any obsolete Equipment and of any Inventory or Other Property. The Borrower shall notify the Secured Party promptly of:
  - (i) any change in the information provided to the Secured Party in this Debenture or in the Schedules;
  - (ii) the details of any significant acquisition of Collateral;
  - (iii) the details of any claims or litigation before any court, administrative board or other tribunal affecting the Borrower or the Collateral;
  - (iv) any loss of or damage to the Collateral;

- (v) any default by any significant debtor of the Borrower in any payment or other performance of its obligations with respect to the Collateral;
  - (vi) the return to or repossession by the Borrower of any of the Collateral; and
  - (vii) any removal of any Collateral from any jurisdiction in which this Debenture is registered or the acquisition of any Collateral in any jurisdiction in which this Debenture is not registered;
- (e) **Conduct of Business** - it shall keep the Collateral in good order, condition and repair and not use the Collateral in violation of the provisions of this Debenture, the Gold Prepayment Agreement, or any other agreement relating to the Collateral or any policy insuring the Collateral or any Applicable Laws;
- (f) **Insurance** - it shall keep insured the Collateral with extended coverage against loss or damage by fire, theft, collision or other insurable hazards commonly insured against to the full insurable value thereof, with all such insurance to be maintained with such insurer or insurers as may be approved by the Secured Party, and the loss under all such insurance shall be payable to the Secured Party. The Borrower will cause to be affixed to each policy of insurance, a mortgage section or mortgage endorsement in form satisfactory to the Secured Party and provide for a minimum of thirty (30) days' notice to the Secured Party of cancellation or lapse of such insurance. The Borrower shall pay all premiums in connection with such insurance and will deposit certified copies of the insurance policies with the Secured Party or otherwise deal with them as the Secured Party may require;
- (g) **Payment of Taxes and other fees** - it shall pay all rents, taxes, rates, levies, assessments, government fees or dues, licence fees and other charges of every nature, including but not limited to assessment work, which shall be levied, assessed or imposed in respect of the Borrower or the Collateral or any part thereof as and when the same shall become due and payable, and shall exhibit to the Secured Party, when required, the receipts and vouchers evidencing such payment;
- (h) **Observance of Governmental Requirements and Covenants** - it shall comply with all Applicable Laws and it shall obtain all licences, permits and consents required to operate its business and maintain the Collateral in good standing;
- (i) **Provide Subsequent Charges** - it shall do, execute, acknowledge and deliver such financing statements and further mortgages, charges, assignments, transfers, documents, acts, matters and things (including further schedules and forms) as may be requested by the Secured Party of or with respect to the Collateral in order to give effect to this Debenture and shall pay all costs for searches and filings;

- (j) **Further Documentation** - to the extent not previously provided to the Secured Party, it will deliver to the Secured Party from time to time and promptly upon request:
  - (A) any documents of title, Instruments, securities and chattel paper constituting, representing or relating to the Collateral;
  - (B) all books of account and all records, ledgers, reports, correspondence, schedules, documents, statements, lists and other writings and records relating to Collateral for the purpose of inspecting, auditing or copying same;
  - (C) all financial statements prepared by or for the Borrower regarding the Borrower's business;
  - (D) all policies and certificates of insurance relating and applying to the Collateral; and
  - (E) such information concerning the Collateral, the Borrower and the Borrower's business and affairs as the Secured Party may reasonably request;
- (k) **No Further Liens** - it shall not, without the prior written consent of the Secured Party create any prior security interest upon the Collateral or any part thereof or interest therein, whether ranking in priority over, *pari passu* with, or subordinate to the security created by this Debenture;
- (l) **Inspection** - the Secured Party shall have the right, at any time and from time to time, at its own risk, to verify the existence and state of the Collateral in any manner the Secured Party may consider appropriate and the Borrower agrees to furnish all assistance and information and perform all such acts as the Secured Party may request in connection with such inspections and for such purpose grant to the Secured Party or its agents access to all places where the Collateral may be located and to all premises occupied by the Borrower, in accordance with the Gold Prepayment Agreement;
- (m) **Consent of the Landlord or Licensor** - it shall, if necessary, obtain the consent of the landlord and/or licensor to the charging of any leasehold or licenced lands and premises that form part of the Collateral;
- (n) **Strict Compliance** - it shall strictly comply with every covenant, undertaking and agreement of any kind given to the Secured Party. If the Borrower should fail to perform any covenant, undertaking or agreement, the Secured Party may (but is not obligated to) itself perform or cause the same to be performed; all Expenses incurred or payments made by the Secured Party in so doing shall be paid by the Borrower and be secured by this Debenture; and

- (o) **Planning Act** - to the best of Borrower's knowledge, it is neither the recorded or beneficial owner of any abutting or adjoining fee surface rights.

7. **EVENTS OF DEFAULT**

- (a) **Events of Default** - The Principal Sum, interest and all other obligations secured shall become immediately payable and the security hereby constituted shall become enforceable upon the occurrence of an Event of Default and shall be enforceable for so long as such Event of Default is continuing.
- (b) **Waiver of Default** - If an Event of Default shall have occurred, the Secured Party shall have the power to waive any Event of Default hereunder if, in the Secured Party's sole and absolute opinion, the same shall have been cured or an adequate provision made therefor, upon such terms and conditions as the Secured Party may consider advisable, provided that no delay or omission of the Secured Party to exercise any right or power accruing upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of the occurrence of any such Event of Default or acquiescence therein and provided further that no act or omission of the Secured Party shall extend to or be taken in any manner whatsoever to affect any subsequent Event of Default hereunder or the rights resulting therefrom.
- (c) **Dealing with the Secured Party** - No Person dealing with the Secured Party or any of its agents shall be required to enquire whether an Event of Default has occurred, or whether the powers which the Secured Party is purporting to exercise have become exercisable, or whether any moneys remain due under the Gold Prepayment Agreement or under this Debenture, or to see to the application of any moneys paid to the Secured Party, and in the absence of fraud on the part of such Person, such dealing shall be deemed to be within the powers hereby conferred and to be valid and effective accordingly.

8. **SECURED PARTY'S RIGHTS UPON SECURITY BECOMING ENFORCEABLE**

**Rights of the Secured Party** - Upon the occurrence and during the continuance of any Event of Default, the Secured Party may exercise and proceed to take any of the actions available to the Secured Party pursuant to Section 11.1 of the Gold Prepayment Agreement, and, whether or not the foregoing actions referred to have been taken, the Secured Party may:

- (a) **Take Possession** - immediately take possession of, collect, demand, sue on, enforce, recover and receive the Collateral and, whether or not the Secured Party has so taken possession, may sell, lease or otherwise dispose of the Collateral either as a whole or in separate parcels at public auction, by public tender or by private sale, either for cash or upon credit and at such time or times and upon such terms and conditions as the Secured Party may determine with or without notice, advertising or any other formality, all of

which are hereby waived by the Borrower; and the Secured Party may also rescind or vary any contract of sale that may have been entered into and resell with or under any other powers conferred without being answerable for any loss and may adjourn any such sale from time to time and the Secured Party may execute and deliver to any purchaser of the Collateral or any part thereof good and sufficient deeds and documents for the same, the Secured Party being irrevocably constituted the attorney of the Borrower for the purpose of making any such sale and executing such deeds and documents;

- (b) **Appointment of Receiver** - by Instrument in writing appoint any Person qualified under Applicable Laws, whether an officer or employee of the Secured Party or not, to be a receiver (which term shall include a receiver and manager) of the Collateral or of any part thereof and remove any receiver so appointed and appoint another instead; and, subject to the provisions of the Instrument appointing such receiver,

any such receiver so appointed shall have power (to the extent permitted by Applicable Laws):

- (i) to take possession of the Collateral or any part thereof;
- (ii) to carry on (or to concur in the carrying on of) all or any part of the business of the Borrower relating to the Collateral and to use the Collateral directly in carrying on the Borrower's business or as security for loans or advances to enable him to carry on the Borrower's business or otherwise;
- (iii) to make any arrangement or compromise which the receiver shall think expedient;
- (iv) to borrow money on the security of the Collateral and in priority to this Debenture for the purpose of the maintenance, preservation or protection of the Collateral or any part thereof or for carrying on all or any part of the business of the Borrower relating to the Collateral (and in so doing the receiver may issue certificates called "Receiver's Certificates"). Receiver's Certificates may be payable either to order or to bearer and may be payable at such time or times as the receiver may think expedient and shall bear interest as shall be stated therein and the amounts from time to time payable by virtue of Receiver's Certificates shall form a charge upon the Collateral in priority to the charge of this Debenture; and
- (v) to sell, lease or otherwise dispose of the whole or any part of the Collateral (or to concur therein) at public auction, by public tender or by private sale, with or without advertisement, for cash or upon credit or partly for cash and partly for credit, at such time and upon such terms and conditions as the receiver shall determine with or without

notice and with or without advertising and without any formality all of which are hereby waived by the Borrower, with power to vary or rescind any contract of sale or other contract, buy at any such auction, resell with or under any of the powers conferred hereunder without being answerable for any loss and adjourn any sale from time to time; and the receiver may execute and deliver to any purchaser of the Collateral or any part thereof good and sufficient deeds and documents for the same, the receiver being irrevocably constituted the attorney of the Borrower for the purpose of making any such sale and executing such deeds and documents, provided that such receiver shall be deemed the agent or attorney of the Borrower and not that of the Secured Party and the Secured Party shall not be in any way responsible for any misconduct, negligence, nonfeasance, acts or omissions of any such receiver, his servants, agents or employees. To facilitate the foregoing powers, any such receiver may, to the exclusion of all others, including the Borrower, enter upon, use and occupy all premises owned or occupied by the Borrower wherein the Collateral may be situate, maintain the Collateral upon such premises, borrow money and use Collateral directly in carrying on the Borrower's business or as security for loans or advances to enable him to carry on the Borrower's business or otherwise, as such receiver shall, in his discretion, determine. Except as may be otherwise directed by the Secured Party or the Gold Prepayment Agreement, the net profits of carrying on the said business and the net proceeds of sale shall be applied by the receiver, subject to claims ranking in priority to this Debenture as follows:

- (A) firstly, in payment or reimbursement to the Secured Party of the remuneration, Expenses, disbursements and advances of the Secured Party earned, incurred or made in the administration or enforcement of the Gold Prepayment Agreement, this Debenture or any other Security Document or otherwise in relation to the Gold Prepayment Agreement, this Debenture or any other Security Document;
- (B) secondly, in or towards payment or satisfaction of all other Secured Obligations; and
- (C) thirdly, the surplus (if any) of such moneys shall be paid to the Borrower or as it may direct;

and the following provisions shall apply:

- (vi) The Secured Party may at its discretion vest the receiver with all or any of the rights and powers of the Secured Party.

- (vii) The Secured Party may fix the remuneration of the receiver who shall be entitled to deduct the same out of the revenue or the sale proceeds of the Collateral.
  - (viii) The appointment of any such receiver by the Secured Party shall not result in or create any liability or obligation on the part of the Secured Party to the receiver or to the Borrower or to any other person and no appointment or removal of a receiver and no actions of a receiver shall constitute the Secured Party a mortgagee in possession or responsible as such.
  - (ix) No such receiver shall be liable to the Borrower to account for monies other than monies actually received by it in respect of the Collateral, or any part thereof.
  - (x) Save as to claims for accounting to which the Borrower is entitled under Applicable Laws pursuant to Section 8(b)(v), the Borrower hereby releases and discharges any such receiver from every claim of every nature, whether in damages or not which may arise or be caused to the Borrower or any person claiming through or under it by reason or as a result of anything done by such receiver unless such claim be the direct and proximate result of wilful misconduct, gross negligence, dishonesty or fraud.
  - (xi) The Secured Party may, at any time and from time to time, terminate any such receivership by notice in writing to the Borrower and to any such receiver.
  - (xii) The statutory declaration of an officer of the Secured Party as to the occurrence of an Event of Default, under the provisions of this Debenture and as to the due appointment of the receiver pursuant to the terms hereof shall be sufficient proof thereof for the purposes of any person dealing with a receiver who is ostensibly exercising powers herein provided for and such dealing shall be deemed, as regards such person, to be valid and effectual.
  - (xiii) The rights and powers conferred herein in respect of the receiver are supplemental to and not in substitution of any other rights and powers which the Secured Party may have.
- (c) Consultants - require the Borrower to engage a consultant of the Secured Party's choice, such consultant to receive the full cooperation and support of the Borrower and its employees including, without limitation, unrestricted access to the premises, books and records of the to the Borrower; all fees and Expenses of such consultant shall be for the account of the Borrower and the Borrower hereby authorizes such consultant to report directly to the Secured Party as well as to the Borrower and to disclose to the Secured Party any and all information obtained in the course of such consultant's employment;

- (d) **Further rights** - exercise any of the other rights to which the Secured Party is entitled as holder of this Debenture, including the right to take proceedings in any court of competent jurisdiction for the appointment of a receiver and manager, for the sale of the Collateral or any part thereof or for foreclosure, and the right to take any other actions, suit, remedy or proceeding authorized or permitted thereunder or by law or by equity in order to enforce the security constituted by this Debenture;
- (e) **Statutory rights** - in addition to those rights granted herein and in any other agreement now or hereafter in effect between the Borrower and the Secured Party and in addition to any other rights the Secured Party may have at law or in equity, the Secured Party shall have, both before and after default all rights and remedies of a secured party under Applicable Laws provided always that the Secured Party shall not be liable or accountable for any failure to exercise its remedies, take possession of, collect, enforce, realize, sell, lease or otherwise dispose of Collateral or to institute any proceedings for such purposes;
- (f) **Powers of Attorney** - act as attorney for the Borrower (and the Borrower grants to the Secured Party its irrevocable power of attorney, which power shall be binding upon the Borrower and all third parties) to execute and deliver on behalf of the Borrower all documents and Instruments as may be necessary to effect the transfer, assignments and enforcement procedures contemplated in this Debenture. This power of attorney, being coupled with interest, is irrevocable;
- (g) **Secured Party May Purchase Collateral** - may become (and any subsidiary, agent or representative of the Secured Party may become) purchasers at any sale of the Collateral, whether made under the powers of sale contained in this Debenture or pursuant to judicial proceedings, provided that if it acquires any Real Property or Mining Claims it shall acquire such Collateral subject to any existing royalty interests which (i) run with the lands, (ii) are registered against title to such Real Property or Mining Claims, as the case may be and (iii) are a Permitted Encumbrance;
- (h) **Sale, Bars, Claims through Borrower** - any such sale made as aforesaid shall be a perpetual bar, both in law and in equity, against the Borrower and all other persons claiming an interest in the Collateral or any part thereof, by, from, through or under the Borrower; and
- (i) **Sale Proceeds** - in the case of a sale for cash or credit, or part cash and part credit, the Secured Party shall be bound to pay to the Borrower only such moneys as have been actually received from purchasers after the satisfaction of all claims of the Secured Party including payment of any Expenses.

**9. PRIOR ENCUMBRANCES AND EXPENSES**

If an Event of Default has occurred and is continuing, the Secured Party may pay the amount of any Lien now or hereafter existing, or to arise or to be claimed upon the Collateral having priority over this Debenture, including any taxes, utility charges or other rates on the Collateral, or any of them, and in doing so may incur Expenses. The amount so paid shall be added to the debt hereby secured and be a charge on the Collateral and shall bear interest at the rate aforesaid, and shall be payable forthwith by the Borrower to the Secured Party. In the event of the Secured Party paying the amount of any such Lien, taxes or rates, either out of the monies advanced on the security or otherwise, the Secured Party shall be entitled to all the rights, equities and securities of the Borrower as against the person or persons, company, corporation, or Governmental Authority so paid.

**10. SECURED PARTY NOT OBLIGED TO REALIZE SECURITY**

The Secured Party shall not be liable or accountable for any failure to collect, enforce or realize an intangible and shall not be bound to institute proceedings for the purpose of collecting, enforcing or realizing the same for the purpose of preserving any right of the Secured Party, the Borrower or any other Person in respect of the same, and shall have no obligation to take any steps to preserve rights against prior parties to any indebtedness (including any Indebtedness (as defined in the Gold Prepayment Agreement)), Instrument or chattel paper whether Collateral or Proceeds and whether or not in the Secured Party's possession and shall not be liable or accountable for any delay in or failure to do so.

**11. INDEMNITY**

The Borrower shall indemnify the Secured Party and each of its Affiliates and their respective officers, directors, employees, agent and advisors (each such Person being called an "Indemnatee") against, and hold each Indemnatee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the reasonable fees, charges and disbursements of any counsel for any Indemnatee, incurred by any Indemnatee or asserted against any Indemnatee by any third party arising out of, in connection with, or as a result of the execution or delivery of this Debenture or any agreement or instrument contemplated hereby or thereby, the performance or non-performance by the parties hereto of their respective obligations hereunder or thereunder or the consummation or non-consummation of the transactions contemplated hereby or thereby, other than losses, claims, damages, liabilities or related expenses which (i) are determined by a court of competent jurisdiction by final and non-appealable judgment to have resulted from the gross negligence or wilful misconduct of such Indemnatee or from disputes amongst Indemnitees or (ii) result from a claim brought by the Borrower against an Indemnatee for breach of such Indemnatee's obligations under this Debenture or any agreement or instrument contemplated hereby or thereby, if the Borrower has obtained a final and non-appealable judgment in its favour on such claim as determined by a court of competent jurisdiction.

**12. NO RELEASE**

This Debenture shall remain in full force and effect without regard to:

- (a) any assignment, extension, renewal, alteration, modification, amendment, supplement, restatement and/or replacement of or addition to any Security Documents, any other agreement by the Borrower in favour of the Secured Party, the Gold Prepayment Agreement and any other security (which term includes, any surety, guarantee or indemnity) provided to the Secured Party, and in such event, this Debenture shall not be deemed to have been discharged or redeemed or the amounts payable hereunder to have been satisfied or reduced by reason thereof;
- (b) any exercise or non-exercise of any right, remedy, power or privilege in respect of this Debenture, the Gold Prepayment Agreement, any other Security Documents, any other agreement between the Secured Party and the Borrower or any other security (which term includes, any guarantee or indemnity) provided to the Secured Party. The taking of any action or proceedings or refraining from so doing, or any other dealing with any other security for the monies secured hereby, shall not release or affect the charge of this Debenture and the taking of the security hereby granted or any proceedings hereunder for the realization of the security hereby granted and shall not release or affect any other security held by the Secured Party for the monies hereby secured;
- (c) any waiver, consent, release, extension, indulgence or other action, inaction or omission under or in respect of this Debenture, the Gold Prepayment Agreement, any other Security Documents, any other agreement between the Secured Party and the Borrower or any other security;
- (d) any default by the Borrower under, or any invalidity or unenforceability of, or any limitation on the liability of the Borrower or on the method or terms of payment under, or any irregularity or other defect in any Security Documents, the Gold Prepayment Agreement, any other agreement between the Secured Party and the Borrower or any other security;
- (e) any merger, consolidation or amalgamation of the Borrower into or with any other Person; or
- (f) any insolvency, bankruptcy, liquidation, reorganization, compromise, arrangement, composition, winding-up, dissolution or similar proceeding involving or affecting the Borrower.

13. DEMAND DEBENTURE

For greater certainty all amounts payable under this Debenture are payable on demand upon the occurrence of an Event of Default which is continuing.

14. DISCHARGE

Upon full and final payment and performance of the Secured Obligations in accordance with the Gold Prepayment Agreement, the Secured Party shall upon request in

writing by the Borrower deliver up this Debenture to the Borrower and shall at the expense of the Borrower cancel and discharge the security interests created hereby and execute and deliver to the Borrower such documents as shall be requisite to discharge such security interests. Any execution and delivery of documents pursuant to this Section 14 shall be without recourse to or warranty by the Secured Party.

**15. NOTICES**

- (a) **Notices.** Any notice or communication required or permitted to be given under this Debenture shall be in writing and will be made in accordance with the notice provisions of the Gold Prepayment Agreement and shall be deemed to have been given or made at such time as set out in the Gold Prepayment Agreement.
- (b) **Waiver of Notice.** Any notice provided for in this Debenture may be waived in writing by the Person entitled to receive such notice, either before or after the event, and such waiver shall be the equivalent of such notice.

**16. DEBENTURE TO BE CONTINUING SECURITY**

The remedies of the Secured Party under this Debenture may be exercised from time to time separately or in combination and are in addition to and not in substitution for any other rights of the Secured Party however created. The execution and delivery of this Debenture shall not act as a merger of any simple contract debt or suspend the fulfilment of, or affect the rights, remedies or powers of the Secured Party in respect of, any present or future debts, liabilities or obligations of the Borrower to the Secured Party or any security now or hereafter held by the Secured Party for the payment or fulfilment thereof.

**17. NO OBLIGATION TO ADVANCE**

Neither the execution and delivery nor the registration of this Debenture shall for any reason whatsoever obligate or bind the Secured Party to advance any monies, or, having advanced a portion, obligate the Secured Party in any way to advance the balance thereof; but nevertheless the charge shall take effect forthwith upon execution of this Debenture and shall operate as security for the actual amount of all the debts and liabilities, present or future, direct or indirect, absolute or contingent, matured or not, at any time owing by the Borrower to the Secured Party under the Gold Prepayment Agreement, the other Documents and otherwise owing under this Debenture.

**18. SET-OFF**

The Principal Sum, interest and other amounts hereby secured will be paid and shall be assignable in accordance with the terms of the Gold Prepayment Agreement, without regard to any set-off, counter-claim or equities between the Borrower and the Secured Party. Notwithstanding the foregoing, and any other provision of this Debenture, the Secured Party may at any time, without notice to the Borrower or to any other Person, and from time to time, set-off, appropriate and apply any and all deposits by or for the benefit of the Borrower with the Secured Party, general or special, matured or unmatured, and any other

indebtedness of the Secured Party to the Borrower, against and on account of the Secured Obligations secured hereby irrespective of whether or not the Secured Party has made any demand for payment or the Secured Obligations secured hereby is due.

**19. DEFICIENCY**

Without limiting any rights the Borrower may have at law, the Borrower shall be liable to pay any deficiency in the obligations secured hereunder that are remaining after the sale or disposition of the Collateral.

**20. REVOLVING CREDIT**

It is acknowledged and agreed that this Debenture secures, *inter alia*, from time to time, the Tranches and shall not be considered to have been satisfied or discharged by any intermediate payment of the whole or part of the Secured Obligations. This Debenture secures all of the Secured Obligations, including the First Tranche and the Second Tranche made under the Gold Prepayment Agreement.

**21. PROVISIONS REASONABLE**

Each party hereto acknowledges and declares that it has entered into this Debenture freely and of its own will. In particular, each party hereto acknowledges that this Debenture was freely negotiated by the Borrower and the Secured Party in good faith, that this Debenture does not constitute a contract of adhesion, that there was no exploitation of the Borrower by the Secured Party, and that there is no disproportion between the consideration provided by the Secured Party and that provided by the Borrower.

**22. GOVERNING LAW**

This Debenture shall be governed in all respects by the law of the Province of Ontario, and the laws of Canada applicable therein.

**23. FURTHER ACTS**

The Borrower authorizes the Secured Party to file such financing statements and other documents and do such acts, matters and things (including completing and adding schedules identifying the Collateral or any Permitted Encumbrances affecting the Collateral or identifying the locations at which the Borrower's business is carried on and the Collateral and records relating thereto are located) as the Secured Party may deem appropriate to perfect and continue the grant(s), mortgage(s), charge(s), assignment(s) and transfer(s) of this Debenture and the security interests created hereby, to protect and preserve the Collateral and to realize upon this Debenture and the Borrower hereby irrevocably constitutes and appoints the manager from time to time of the Secured Party the true and lawful attorney of the Borrower, with full power of substitution, to do any of the foregoing in the name of the Borrower whenever and wherever it may be deemed necessary or expedient.

Notwithstanding any provision to the contrary, to the extent that the Borrower's interest in the subject matter of the herein granted security would be forfeited, surrendered, released, vacated or otherwise relinquished or extinguished if one or more necessary third party consents to Borrower's grant of said security was or were not received by Borrower (such possibly relinquished or extinguished interests being "Excepted Interests"), then Borrower's herein grant of security of or in any Excepted Interest requiring such third party consent will not attach or occur until such time as all such third party consents for said Excepted Interest security grant are received by Borrower.

**24. SUCCESSORS AND ASSIGNS**

- (a) The Borrower is not entitled to assign its rights and obligations under this Debenture without the prior written consent of the Secured Party, which consent may be unreasonably withheld. Any purported assignment by the Borrower, made without the prior written consent of the Secured Party, shall be null and void.
- (b) The Secured Party shall be entitled to assign its rights and obligations under this Debenture at any time on written notice, and without the consent of, the Borrower.
- (c) This Debenture shall enure to the benefit of and be binding upon the parties and their respective successors and permitted assigns including, without limitation, any entity with which the Borrower may be amalgamated.
- (d) In any action brought by an assignee of this Debenture and the security interests or any part thereof to enforce any rights hereunder, the Borrower shall not assert against the assignee any claim or defence which the Borrower now has or hereafter may have against the Secured Party.

**25. AMENDMENTS**

Save for any schedules which may be added hereto pursuant to the provisions hereof, no modification, variation or amendment of any provision of this Debenture shall be made except by a written agreement executed by the parties hereto, and no waiver of any provision hereof shall be effective unless expressly stated in writing.

**26. INVALIDITY**

In the event the terms and provisions of this Debenture, as amended from time to time, shall be deemed invalid or void, in whole or in part, by any Court of competent jurisdiction, the remaining terms of this Debenture shall remain in full force and effect.

**27. RECEIPT OF COPY**

The Borrower acknowledges receipt of a copy of this Debenture by signing it.

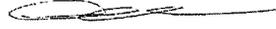
28. EXECUTION IN COUNTERPARTS AND ELECTRONIC SIGNATURES

This Debenture may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement. This Debenture may be validly executed and delivered by facsimile, portable document format (.pdf) or other electronic transmission (including e-mail), and a signature by facsimile, portable document format (.pdf) or other electronic transmission (including e-mail) shall be as effective and binding as an original signature.

*[Signature page follows.]*

IN WITNESS WHEREOF, the Borrower has executed this Debenture this 17 day of November, 2016.

SAGE GOLD INC.



By: \_\_\_\_\_

Name: Nigel Lees

Title: President and Chief Executive Officer

Schedule "A"  
Real Property

Clavos Properties

Leasehold Parcel Registers (PINs) in Land Registry Office # 6 (Cochrane):

65363-0001 (LT)
65362-0567 (LT)

Onaman Properties

Leasehold Parcel Registers (PINs) in Land Registry Office # 55 (Thunder Bay):

62504-2007 (LT)
62504-1660 (LT)

Schedule "B"  
Mining Claims

N/A

**EXHIBIT " D "**

*referred to in the Affidavit of*

**ANDREW WEHRLEY**

*Sworn July 10, 2018*

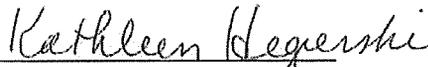


State of New York     )

)     ss.:

County of New York    )

On this 10<sup>th</sup> day of July 2018 A.D. personally came before me, a Notary Public in and for said State duly commissioned and sworn, Andrew Wehrley known to me personally to be such persons who executed such instrument, and acknowledged to me that such instrument was in his own proper handwriting, and that his act of executing and delivering such instrument was duly authorized.



Kathleen Hegierski, Notary

01HE6155794 (Qualified in New York County)

KATHLEEN HEGIERSKI  
NOTARY PUBLIC-STATE OF NEW YORK  
No. 01HE6155794  
Qualified In New York County  
My Commission Expires November 20, 2018



Max  
 Min  
 Average  
 Commercial Production  
 Gold Delivered

	6 11/27/2018	7 12/27/2018	8 1/26/2019	9 2/25/2019	10 3/27/2019	11 4/26/2019	12 5/26/2019	13 6/25/2019	14 7/25/2019	15 8/24/2019	16 9/23/2019	17 10/23/2019
<b>Ounces</b>												
Max	357	357	357	357	357	357	357	357	357	357	357	357
Min	220	220	220	220	220	220	220	220	220	220	220	220
Average	288	288	288	288	288	288	288	288	288	288	288	288
<b>Gold Price</b>												
<b>C\$ Equivalent</b>												
Max	601,913	601,913	601,913	601,913	601,913	601,913	601,913	601,913	601,913	601,913	601,913	601,913
Min	370,211	370,211	370,211	370,211	370,211	370,211	370,211	370,211	370,211	370,211	370,211	370,211
Average	486,062	486,062	486,062	486,062	486,062	486,062	486,062	486,062	486,062	486,062	486,062	486,062

PV Max  
 PV Min  
 PV Average

**Min NPV (C\$ 000)**

	<b>Discount Rate</b>			
	<b>4.0%</b>	<b>6.0%</b>	<b>8.0%</b>	<b>10.0%</b>
	22,587	21,346	20,215	19,183
	24,012	22,692	21,490	20,393
	25,437	24,039	22,766	21,603
	26,862	25,386	24,041	22,814

Max  
 Min  
 Average  
 Commercial Production  
 Gold Delivered

	18 11/22/2019	19 12/22/2019	20 1/21/2020	21 2/20/2020	22 3/21/2020	23 4/20/2020	24 5/20/2020	25 6/19/2020	26 7/19/2020	27 8/18/2020	28 9/17/2020	29 10/17/2020
<b>Ounces</b>												
Max	357	357	357	357	357	357	357	357	357	357	357	357
Min	220	220	220	220	220	220	220	220	220	220	220	220
Average	288	288	288	288	288	288	288	288	288	288	288	288
<b>Gold Price</b>												
<b>C\$ Equivalent</b>												
Max	601,913	601,913	601,913	601,913	601,913	601,913	601,913	601,913	601,913	601,913	601,913	601,913
Min	370,211	370,211	370,211	370,211	370,211	370,211	370,211	370,211	370,211	370,211	370,211	370,211
Average	486,062	486,062	486,062	486,062	486,062	486,062	486,062	486,062	486,062	486,062	486,062	486,062

PV Max  
 PV Min  
 PV Average

Max  
 Min  
 Average  
 Commercial Production  
 Gold Delivered

	30 11/16/2020	31 12/16/2020	32 1/15/2021	33 2/14/2021	34 3/16/2021	35 4/15/2021	36 5/15/2021	37 6/14/2021	38 7/14/2021	39 8/13/2021	40 9/12/2021	41 10/12/2021
<b>Ounces</b>												
Max	357	357	357	357	357	357	357	357	357	357	357	357
Min	220	220	220	220	220	220	220	220	220	220	220	220
Average	288	288	288	288	288	288	288	288	288	288	288	288
<b>Gold Price</b>												
<b>C\$ Equivalent</b>												
Max	601,913	601,913	601,913	601,913	601,913	601,913	601,913	601,913	601,913	601,913	601,913	601,913
Min	370,211	370,211	370,211	370,211	370,211	370,211	370,211	370,211	370,211	370,211	370,211	370,211
Average	486,062	486,062	486,062	486,062	486,062	486,062	486,062	486,062	486,062	486,062	486,062	486,062

PV Max  
 PV Min  
 PV Average

Max  
 Min  
 Average  
 Commercial Production  
 Gold Delivered

	42 11/11/2021	43 12/11/2021	44 1/10/2022	45 2/9/2022	46 3/11/2022	47 4/10/2022	48 5/10/2022	49 6/9/2022	50 7/9/2022	51 8/8/2022	52 9/7/2022	53 10/7/2022
<b>Ounces</b>												
Max	357	357	357	357	357	357	357	357	357	357	357	357
Min	220	220	220	220	220	220	220	220	220	220	220	220
Average	288	288	288	288	288	288	288	288	288	288	288	288
<b>Gold Price</b>												
<b>C\$ Equivalent</b>												
Max	601,913	601,913	601,913	601,913	601,913	601,913	601,913	601,913	601,913	601,913	601,913	601,913
Min	370,211	370,211	370,211	370,211	370,211	370,211	370,211	370,211	370,211	370,211	370,211	370,211
Average	486,062	486,062	486,062	486,062	486,062	486,062	486,062	486,062	486,062	486,062	486,062	486,062

PV Max  
 PV Min  
 PV Average

Max  
 Min  
 Average  
 Commercial Production  
 Gold Delivered

	54 11/6/2022	55 12/6/2022	56 1/5/2023	57 2/4/2023	58 3/6/2023	59 4/5/2023	60 5/5/2023	61 6/4/2023	62 7/4/2023	63 8/3/2023	64 9/2/2023	65 10/2/2023
<b>Ounces</b>												
Max	357	357	357	357	357	357	357	357	357	357	357	357
Min	220	220	220	220	220	220	220	220	220	220	220	220
Average	288	288	288	288	288	288	288	288	288	288	288	288
<b>Gold Price</b>												
<b>C\$ Equivalent</b>												
Max	601,913	601,913	601,913	601,913	601,913	601,913	601,913	601,913	601,913	601,913	601,913	601,913
Min	370,211	370,211	370,211	370,211	370,211	370,211	370,211	370,211	370,211	370,211	370,211	370,211
Average	486,062	486,062	486,062	486,062	486,062	486,062	486,062	486,062	486,062	486,062	486,062	486,062

PV Max  
 PV Min  
 PV Average

Max  
 Min  
 Average  
 Commercial Production  
 Gold Delivered

	66 11/1/2023	67 12/1/2023	68 12/31/2023	69 1/30/2024	70 2/29/2024	71 3/30/2024	72 4/29/2024	Total
<b><u>Ounces</u></b>								
Max	357	357	357	357	357	357	357	25,964
Min	220	220	220	220	220	220	220	16,064
Average	288	288	288	288	288	288	288	21,014
<b>Gold Price</b>								
<b><u>C\$ Equivalent</u></b>								
Max	601,913	601,913	601,913	601,913	601,913	601,913	601,913	43,751,936
Min	370,211	370,211	370,211	370,211	370,211	370,211	370,211	27,069,446
Average	486,062	486,062	486,062	486,062	486,062	486,062	486,062	35,410,691

PV Max  
 PV Min  
 PV Average

**EXHIBIT " E "**

*referred to in the Affidavit of*

**ANDREW WEHRLEY**

*Sworn July 10, 2018*

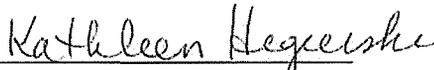


State of New York     )

)     ss.:

County of New York    )

On this 10<sup>th</sup> day of July 2018 A.D. personally came before me, a Notary Public in and for said State duly commissioned and sworn, Andrew Wehrley known to me personally to be such persons who executed such instrument, and acknowledged to me that such instrument was in his own proper handwriting, and that his act of executing and delivering such instrument was duly authorized.



Kathleen Hegierski, Notary  
01HE6155794 (Qualified in New York County)

KATHLEEN HEGIERSKI  
NOTARY PUBLIC-STATE OF NEW YORK  
No. 01HE6155794  
Qualified in New York County  
MY EXPIRATION DATE IS NOVEMBER 20, 2018

# **SAGE GOLD**

TSX.V:SGX

**Consolidated Financial Statements**

**Fifteen Month Period Ended December 31, 2017 and Year Ended September 30, 2016**

**(Expressed in Canadian Dollars)**

## INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Sage Gold Inc.

We have audited the accompanying consolidated financial statements of Sage Gold Inc. and its subsidiary, which comprise the consolidated statements of financial position as at December 31, 2017 and September 30, 2016, and the consolidated statements of loss and comprehensive loss, consolidated statements of changes in shareholders' equity and consolidated statements of cash flows for the fifteen month period ended December 31, 2017 and the year ended September 30, 2016, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Sage Gold Inc. and its subsidiary as at December 31, 2017 and September 30, 2016, and their financial performance and cash flows for the fifteen month period ended December 31, 2017 and the year ended September 30, 2016 in accordance with International Financial Reporting Standards.

### Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements which indicates that the Company had continuing losses during the fifteen month period ended December 31, 2017 a working capital deficiency as at December 31, 2017 and had defaulted on significant amounts of debt subsequent to December 31, 2017. These conditions along with other matters set forth in Note 1 indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

UHY McGovern Hurley LLP



Chartered Professional Accountants  
Licensed Public Accountants

TORONTO, Canada  
June 13, 2018

# SAGE GOLD INC.

## Management's Responsibility for Consolidated Financial Statements

The accompanying consolidated financial statements of Sage Gold Inc. (the "Company") are the responsibility of management and the Board of Directors. The consolidated financial statements have been prepared by management, on behalf of the Board of Directors, in accordance with the accounting policies disclosed in the notes to the consolidated financial statements. Where necessary, management has made informed judgements and estimates in accounting for transactions which were not complete at the statement of financial position date. In the opinion of management, the consolidated financial statements have been prepared within acceptable limits of materiality and are in accordance with International Financial Reporting Standards appropriate in the circumstances.

Management has established processes, which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the consolidated financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of, and for the periods presented by, the consolidated financial statements and (ii) the consolidated financial statements fairly present in all material respects, the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the consolidated financial statements.

The Board of Directors is responsible for reviewing and approving the consolidated financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed) "*Nigel Lees*"  
C. Nigel Lees  
President and Chief Executive Officer

(signed) "*Michael Farrant*"  
Michael Farrant  
Chief Financial Officer

Toronto, Canada  
June 13, 2018

**SAGE GOLD INC.**  
**Consolidated Statements of Financial Position**  
**As at**

(Expressed in Canadian Dollars)		December 31, 2017	September 30, 2016
<b>Assets</b>			
<b>Current assets</b>			
Cash		\$ 52,221	\$ 440,711
Short-term investment		10,000	10,000
HST receivable	Note 8	550,524	19,610
Inventories	Note 9	268,410	-
Prepaid expenses and deposits		67,669	12,000
<b>Total current assets</b>		<b>948,824</b>	<b>482,321</b>
Property, plant and equipment	Note 10	2,281,038	3,161
Reclamation deposit	Note 15	310,157	310,645
Mineral properties	Note 11	371,225	627,913
<b>Total non-current assets</b>		<b>2,962,420</b>	<b>941,719</b>
<b>Total assets</b>		<b>\$ 3,911,244</b>	<b>\$ 1,424,040</b>
<b>Liabilities and shareholders' deficiency</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities	Note 13	\$ 6,146,091	\$ 963,240
Finance leases	Note 14	760,338	-
Loans payable	Note 16	1,393,426	3,595,784
CRH financing	Note 17	4,350,247	-
<b>Total current liabilities</b>		<b>8,299,855</b>	<b>4,559,024</b>
<b>CRH financing</b>	Note 17	<b>8,469,355</b>	<b>-</b>
<b>Decommissioning liabilities</b>	Note 15	<b>311,948</b>	<b>185,712</b>
<b>Total liabilities</b>		<b>21,431,405</b>	<b>4,744,736</b>
<b>Shareholders' deficiency</b>			
Share capital	Note 18	36,977,282	31,532,589
Special warrants	Note 19	780,000	-
Warrants	Notes 18, 19	1,215,747	400,783
Stock options	Note 20	323,443	-
Contributed surplus		10,347,748	10,347,748
Deficit		(67,164,381)	(45,601,816)
<b>Total shareholders' deficiency</b>		<b>(17,520,161)</b>	<b>(3,320,696)</b>
<b>Total liabilities and shareholders' deficiency</b>		<b>\$ 3,911,244</b>	<b>\$ 1,424,040</b>

**Nature of Operations and Going Concern (Note 1)**

**Commitments (Note 26)**

**Subsequent Events (Note 28)**

On behalf of the Board on June 13, 2018:

"Patrick J. Mars"  
 Director

"C. Nigel Lees"  
 Director

*The accompanying notes form an integral part of these consolidated financial statements*

# SAGE GOLD INC.

## Consolidated Statements of Loss and Comprehensive Loss

For the 15 Month Period Ended December 31, 2017 and the Year Ended September 30, 2016

(Expressed in Canadian Dollars)		Fifteen Months Ended December 31, 2017	Year Ended September 30, 2016
<b>Operating expenses</b>			
Exploration and evaluation	Note 12	\$ 2,303,703	\$ 248,534
General and administrative	Note 21	2,445,153	846,883
Write-down of mining properties	Notes 10,11	12,275,416	25,000
Share-based compensation	Note 20	323,443	-
Amortization		7,029	1,360
Accretion on decommissioning liabilities		2,428	3,488
<b>Total operating expenses</b>		<b>17,357,172</b>	<b>1,125,265</b>
<b>Other items</b>			
Interest and other income and expense		752	-
Finance expense		373,482	488,206
Accretion interest on CRH financing	Note 17	2,936,285	-
Establishment fees on CRH financing	Note 17	685,272	-
Mark-to-market loss on CRH financing	Note 17	233,332	-
Gain on settlement of accounts payable and accrued liabilities	Notes 18	(10,488)	(167,183)
Gain on debt forgiveness		(19,578)	(61,694)
Foreign exchange (gain) loss		(115)	7,282
Bank charges		6,451	1,580
<b>Total other items</b>		<b>4,205,393</b>	<b>268,191</b>
<b>Loss before income taxes</b>		<b>21,562,565</b>	<b>1,393,456</b>
Flow-through share premium recovery		-	(89,344)
<b>Net loss for the period</b>		<b>\$ 21,562,565</b>	<b>\$ 1,304,112</b>
<b>Net loss and comprehensive loss for the period</b>		<b>\$ 21,562,565</b>	<b>\$ 1,304,112</b>
<b>Loss per common share – Basic and diluted</b>		<b>\$ (0.31)</b>	<b>\$ (0.05)</b>
<b>Weighted average number of common shares outstanding</b>		<b>69,045,544</b>	<b>26,861,914</b>

*The accompanying notes form an integral part of these consolidated financial statements*

# SAGE GOLD INC.

## Consolidated Statements of Changes in Shareholders' Deficiency

Fifteen Month Period Ended December 31, 2017 and Year Ended September 30, 2016

(Expressed in Canadian Dollars)									
	Note	Share capital			Reserves				
		Number of shares	Amount	Shares to be issued	Warrants	Stock Options	Contributed Surplus	Deficit	Total
<b>Balance at September 30, 2015</b>		<b>16,856,809</b>	<b>\$ 30,329,796</b>	<b>\$ 27,000</b>	<b>\$ 122,615</b>	<b>\$ -</b>	<b>\$ 10,309,599</b>	<b>\$(44,297,704)</b>	<b>\$ (3,508,694)</b>
Private placements – common shares		12,235,000	611,750	(27,000)	-	-	-	-	584,750
Private placements – flow-through shares		8,780,000	751,500	-	-	-	-	-	751,500
Premium on flow-through shares		-	(29,560)	-	-	-	-	-	(29,560)
Warrants valuation		-	(308,255)	-	308,255	-	-	-	-
Cost of issuance – compensation options		-	(8,062)	-	8,062	-	-	-	-
Warrant expiry		-	-	-	(38,149)	-	38,149	-	-
Share issuance costs		-	(88,359)	-	-	-	-	-	(88,359)
Common shares issued on settlement of debts		5,019,072	250,954	-	-	-	-	-	250,954
Finders shares		207,600	22,825	-	-	-	-	-	22,825
Net loss for the period		-	-	-	-	-	-	(1,304,112)	(1,304,112)
<b>Balance at September 30, 2016</b>		<b>43,098,481</b>	<b>31,532,589</b>	<b>-</b>	<b>400,783</b>	<b>-</b>	<b>10,347,748</b>	<b>(45,601,816)</b>	<b>(3,320,696)</b>
Common shares issued on exercise of warrants	19	1,485,950	182,537	-	(33,942)	-	-	-	148,595
Private placement – units (CRH financing)	18(c)(vii)	10,700,000	1,070,000	-	-	-	-	-	1,070,000
Warrant valuation		-	(332,743)	-	332,743	-	-	-	-
Special warrants	18(c)(vii)(19)	-	-	780,000	-	-	-	-	780,000
Common shares issued on settlement of debts	18(d)(ii)(iii)	1,407,528	197,309	-	-	-	-	-	197,309
Private placement – units	18(c)(viii)	9,325,755	1,025,833	-	-	-	-	-	1,025,833
Warrant valuation		-	(136,003)	-	136,003	-	-	-	-
Units issued to finders – common shares	18(c)(viii)	250,590	23,911	-	-	-	-	-	23,911
Private placements – F-T common shares	18(c)(viii)(ix)	11,132,326	2,366,116	-	-	-	-	-	2,366,116
Premium on F-T common shares	18(c)(ix)	-	(80,759)	-	-	-	-	-	(80,759)
Private placements – F-T units	18(c)(x)	8,501,527	1,870,336	-	-	-	-	-	1,870,336
Warrant valuation	18(c)(x)	-	(308,047)	-	308,047	-	-	-	-
Share-based compensation	20	-	-	-	-	323,443	-	-	323,443
Share issuance costs – common shares to finders	18(c)(viii)	-	(23,911)	-	-	-	-	-	(23,911)
Share issuance costs – finders' warrants valuation		-	(72,113)	-	72,113	-	-	-	-
Share issuance costs – cash fees and expenses		-	(337,773)	-	-	-	-	-	(337,773)
Net loss for the period		-	-	-	-	-	-	(21,562,565)	(21,562,565)
<b>Balance at December 31, 2017</b>		<b>85,902,157</b>	<b>\$ 36,977,282</b>	<b>\$ 780,000</b>	<b>\$ 1,215,747</b>	<b>\$ 323,443</b>	<b>\$ 10,347,748</b>	<b>\$(67,164,381)</b>	<b>\$ (17,520,161)</b>

The accompanying notes form an integral part of these consolidated financial statements

# SAGE GOLD INC.

## Consolidated Statements of Cash Flows

For the 15 Month Period Ended December 31, 2017 and the Year Ended September 30, 2016

(Expressed in Canadian Dollars)	Fifteen Months Ended December 31, 2017	Year Ended September 30, 2016
<b>Cash flows from operating activities</b>		
Loss for the period	\$ (21,562,565)	\$ (1,304,112)
Items not affecting cash:		
Amortization	7,029	1,360
Loss on CRH financing	233,332	-
Accretion interest on CRH financing	2,936,285	-
Interest on provision for indemnification of flow-through subscription	(5,746)	(5,746)
Gain on settlement of accounts payable and accrued liabilities	(10,488)	(167,183)
Write-down of mineral property	12,275,416	-
Gain on debt forgiveness	(19,578)	(61,694)
Interest on reclamation bond	488	(2,483)
Accretion on decommissioning liabilities	2,428	3,488
Share-based compensation	323,443	-
Flow-Through share premium recovery	-	(89,344)
Accrued interest on loans payable	230,932	480,990
<b>Changes in non-cash working capital items:</b>		
HST receivable	(530,914)	(4,843)
Inventories	(268,410)	-
Prepaid expenses and deposits	(55,669)	(12,000)
Accounts payable and accrued liabilities	5,344,516	364,275
<b>Net cash flows from operating activities</b>	<b>(1,099,501)</b>	<b>(797,292)</b>
<b>Cash flows from financing activities</b>		
CRH gold prepayment financing	9,650,000	-
Repayment of Waterton Debt facility	(2,433,289)	-
Proceeds from private placement, CRH	1,850,000	-
Proceeds from private placements	5,262,285	1,336,250
Share issue costs	(337,773)	(65,534)
Exercise of warrants	148,595	-
Proceeds from shareholder promissory note	-	60,000
Repayment of shareholder promissory note	-	(60,000)
<b>Net cash flows from financing activities</b>	<b>14,139,818</b>	<b>1,270,716</b>
<b>Cash flows from investing activities</b>		
Purchase of Clavos Joint Venture minority interest	(1,000,000)	-
Purchase of property, plant and equipment	(12,428,867)	-
Mineral property additions	-	(50,000)
<b>Net cash flows from investing activities</b>	<b>(13,428,867)</b>	<b>(50,000)</b>
<b>Net change in cash during the period</b>	<b>(388,550)</b>	<b>423,424</b>
<b>Cash, beginning of period</b>	<b>440,711</b>	<b>17,287</b>
<b>Cash, end of period</b>	<b>\$ 52,221</b>	<b>\$ 440,711</b>

### Supplemental cash flow information – Note 22

*The accompanying notes form an integral part of these consolidated financial statements*

## SAGE GOLD INC.

Notes to the Consolidated Financial Statements

For the 15 Month Period Ended December 31, 2017 and the Year Ended September 30, 2016

(Expressed in Canadian Dollars)

### 1. NATURE OF OPERATIONS AND GOING CONCERN

Sage Gold Inc. ("**Sage**" or the "**Company**") is a public corporation listed on the TSX Venture Exchange ("**TSX-V**") under the symbol SGX. The Company was incorporated on October 1, 1997 pursuant to the Business Corporations Act (Ontario) and is domiciled in Ontario, Canada. The address of its registered and head office is 67 Yonge Street, Suite 808, Toronto, Ontario, Canada, M5E 1J8. The Company is primarily engaged in the exploration for, development and production of gold in Ontario, Canada.

The business of mining and exploring for minerals involves a high degree of risk and there can be no assurance that planned exploration and development programs will result in profitable mining operations. The Company has not yet established whether its mineral properties contain reserves that are economically recoverable. The recovery of amounts capitalized for mineral properties and related deferred costs in the consolidated statement of financial position is dependent upon the existence of economically recoverable reserves, the ability of the Company to arrange appropriate financing to complete the development of the properties and upon future profitable production or proceeds from their disposition. Changes in future conditions could require material write-downs of the carrying values of mineral properties.

These consolidated financial statements have been prepared using International Financial Reporting Standards ("**IFRS**") applicable to a going concern, which assumes continuity of operations and realization of assets and settlement of liabilities in the normal course of business. In assessing whether or not there are material uncertainties that may lend doubt as to the ability of the Company to continue as a going concern, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, as described in the following paragraph. These consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

The Company is currently in the exploration and development stage. It is subject to the significant risks and challenges similar to other companies in a comparable stage of development. These risks include, but are not limited to, dependence on key individuals, successful development of the projects, the ability to secure adequate financing to provide the minimum capital required to successfully complete the development of the Company's projects, fund start-up working capital and successfully transition to profitable mining operations in order to continue as a going concern. There is no assurance that these initiatives will be successful and, as a result, these uncertainties may cast significant doubt upon the validity of the going concern assumption.

Subsequent to the year end, the Company is in default of the GPA described in Note 28. In addition, during the 15 month period ended December 31, 2017, the Company reported a net loss of \$21,562,565, an accumulated deficit of \$67,164,381 and has not generated positive cash flow from operations. As at December 31, 2017, the Company had negative working capital of \$12,650,102. As a result, the Company will require significant additional financing within the next twelve months in order to meet its liabilities as they come due and fund its operations (see Note 28).

These consolidated financial statements were approved by the board of directors on June 13, 2018.

## SAGE GOLD INC.

Notes to the Consolidated Financial Statements

For the 15 Month Period Ended December 31, 2017 and the Year Ended September 30, 2016

(Expressed in Canadian Dollars)

### 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

The Company has consistently applied the following accounting policies to all periods presented in these consolidated financial statements, unless otherwise noted.

#### *(a) Basis of preparation and International Financial Reporting Standards*

These financial statements have been prepared in accordance with IFRS issued by the International Accounting Standards Board (“IASB”) and Interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”), effective for the Company’s reporting for the fifteen month period ended December 31, 2017.

#### *(b) Change in Reporting Period and Comparative Amounts*

During October 2017, the Company changed its fiscal and reporting year end from September 30 to December 31 to more closely coincide with its industry peers. As such, certain amounts in the consolidated financial statements are not entirely comparable. The consolidated statements of loss, comprehensive loss, cash flows and changes in shareholders’ deficiency for the period ended December 31, 2017 contain 15 months as compared to the year ended September 30, 2016. In addition, certain comparative amounts have been restated to be consistent with current period presentation.

#### *(c) Basis of measurement*

These consolidated financial statements have been prepared on a historical cost basis except for those financial instruments carried at fair value.

In the preparation of these consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of expenses during the period. Actual results could differ from these estimates. Of particular significance are the estimates and assumptions used in the recognition and measurement of items included in Note 4.

#### *(d) Basis of consolidation*

The consolidated financial statements incorporate the financial statements of the Company, its wholly-owned U.S. subsidiary, Sage Mining Inc. as well as an undivided interest in the Clavos Joint Venture, subject to the following:

On October 27, 2016, the Company dissolved its’ inactive subsidiary, Sage Mining Inc.

On October 25, 2016, the Company acquired the remaining 40% interest of the Clavos Joint Venture.

Subsidiaries consist of entities over which the Company is exposed to, or has rights to, variable returns as well as the ability to affect those returns through the power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date control is transferred to the Company and are deconsolidated from the date control ceases. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

## SAGE GOLD INC.

### Notes to the Consolidated Financial Statements

For the 15 Month Period Ended December 31, 2017 and the Year Ended September 30, 2016

(Expressed in Canadian Dollars)

#### 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

##### *(e) Financial presentation and currency*

The presentation currency of these consolidated financial statements is the Canadian dollar. The functional currency for each entity consolidated with the Company is determined by the currency of the primary economic environment in which it operates. The Company's functional currency is the Canadian dollar. Transactions denominated in foreign currencies are translated into their Canadian dollar equivalents at exchange rates prevailing at the transaction date. Carrying values of monetary assets and liabilities denominated in foreign currencies are adjusted at each reporting date to reflect exchange rates prevailing at that date. Foreign exchange gains and losses are included in net loss.

##### *(f) Cash and cash equivalents*

Cash and cash equivalents include cash held in bank accounts and highly liquid investments with original maturities of three months or less.

##### *(g) Inventories and inventory valuation*

Inventories are valued at the lower of cost and net realizable value ("NRV"). Costs incurred in bringing each product to its present location and condition is accounted for as follows:

Finished metal inventory consists of gold in doré awaiting refinement or bullion. Ore in process inventory consists of stockpiled ore, crushed ore and in-circuit material.

Ore in process and finished metal costs consist of direct production costs including mining, crushing, hauling and processing; site administration costs; and allocated indirect costs, including depreciation and amortization of property, plant and equipment. Inventory costs are currently capitalized as pre-production costs on the basis of quantity of metal sold. NRV is the estimated selling price, less the estimated costs of completion and selling expenses. Any write-downs of inventory to NRV are recorded as cost of sales in the consolidated statement of loss, except prior to commercial production in which case the amounts are capitalized against mine construction and development costs. If there is a subsequent increase in the value of inventories, the previous write-downs to NRV are reversed to the extent that the related inventory has not been sold.

Supplies and spare parts inventory consists of consumables used in operations, such as fuel, chemicals, reagents and spare parts, which are valued at the lower of cost and NRV and, where appropriate, less a provision for obsolescence. Costs include acquisition, freight and other directly attributable costs. NRV is estimated based on replacement costs.

##### *(h) Property, plant and equipment*

Equipment is carried at cost, less accumulated amortization and accumulated impairment losses. The cost of an item of equipment consists of the purchase price, any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. Depreciation is recognized based on the cost of an item of equipment, less its estimated residual value, over its estimated useful life at the following rates:

## SAGE GOLD INC.

Notes to the Consolidated Financial Statements

For the 15 Month Period Ended December 31, 2017 and the Year Ended September 30, 2016

(Expressed in Canadian Dollars)

### 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (b) *Property, plant and equipment (continued)*

Computer equipment	Straight Line over 3 years
Office furniture	Straight Line over 4 years
Buildings, mining equipment and site infrastructure	Straight Line over 7 years
Mine Development and producing mineral interest	Units of production over estimated proven and probable reserves

#### Leased assets

Leases in which the Company assumes substantially all risks and rewards of ownership are classified as finance leases. Assets held under finance leases are recognized at the lower of the fair value and the present value of minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Lease payments are accounted for as discussed in note 2(m).

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets.

An asset's residual value, useful life and depreciation method are reviewed, and adjusted if appropriate, on an annual basis.

#### (i) *Exploration and evaluation expenditures*

The Company expenses exploration and evaluation expenditures as incurred. Acquisition costs of mineral properties are capitalized and include property option payments made in cash or in shares. Once a project has been established as technically feasible and commercially viable, related development expenditures are capitalized. This includes costs incurred in preparing the site for mining operations. Capitalization ceases when the mine is capable of commercial production, with the exception of development costs that give rise to a future benefit.

#### (j) *Flow-through shares*

The Company has adopted a policy whereby flow-through proceeds are allocated between the offering of the common shares and the sale of tax benefits when the common shares are offered. The allocation is made based on the difference between the quoted price of the common shares and the amount the investor pays for the flow-through shares. A liability is recognized for the premium paid by the investors and is then derecognized in the period of renunciation. The recognition of deferred income tax liability upon renunciation of the flow-through expenditure is recorded as income tax expense in the period of renunciation. Any difference between the amount of the liability component de-recognized and deferred income tax liability recognized is recorded in the consolidated statement of loss.

#### (k) *Equity*

Share capital, special warrants, warrants, stock options, contributed surplus and deficit are classified as equity. Incremental costs directly attributable to the issuance of common shares and warrants are recognized as a deduction from equity, net of any tax effects.

## SAGE GOLD INC.

Notes to the Consolidated Financial Statements

For the 15 Month Period Ended December 31, 2017 and the Year Ended September 30, 2016

(Expressed in Canadian Dollars)

### 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *(l) Impairment of non-financial assets*

At the end of each reporting period, the Company reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. Where such an indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. The recoverable amount is the higher of an asset's fair value less cost to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognized immediately in the consolidated statement of loss.

The Company will reverse any previous impairment losses, with the exception of goodwill, where circumstances have changed such that the level of impairment in the value of the assets has been reduced.

#### *(m) Leases*

Assets held under finance leases are recognized as discussed in Note 2(h). The corresponding liability is recognized as a finance lease obligation at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease obligation to achieve a constant rate of interest on the remaining liability. Finance charges are recorded as a finance expense in net loss, unless they are attributable to qualifying assets, in which case they are capitalized.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are realized.

#### *(n) Share-based payment transactions*

The grant date fair value of equity-settled share-based compensation transactions are recognized as an expense with a corresponding increase in equity. An individual is classified as an employee when the individual is an employee for legal or tax purposes (direct employee) or provides services similar to those performed by a direct employee, including directors of the Company. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 18(d).

The fair value determined at the grant date of equity-settled share-based compensation is recognized over the period during which the options vest, as the employee becomes unconditionally entitled to the equity instruments, based on the Company's estimate of the expected number of equity instruments that will eventually vest. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if anything, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

Equity-settled share-based compensation transactions with parties other than employees are measured at the fair value of the goods or services received, except where fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the services.

Expired stock options and warrants are transferred to contributed surplus.

## SAGE GOLD INC.

Notes to the Consolidated Financial Statements

For the 15 Month Period Ended December 31, 2017 and the Year Ended September 30, 2016

(Expressed in Canadian Dollars)

### 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (o) *Restoration, rehabilitation and environmental obligations*

A legal or constructive obligation to incur restoration, rehabilitation and environmental costs may arise when environmental disturbance is caused by the exploration, development or ongoing production of a mineral property interest. Such costs are discounted to their net present value and are provided for and capitalized at the start of each project to the carrying amount of the asset, as soon as the obligation to incur such costs arises. Discount rates using a pre-tax rate that reflects the time value of money are used to calculate the net present value. These costs are charged against profit or loss over the economic life of the related asset, through amortization using either a unit-of-production or the straight-line method as appropriate. The related liability is adjusted for each period for the unwinding of the discount rate and for changes to the current market-based discount rate and amount or timing of the underlying cash flows needed to settle the obligation. Costs for restoration of subsequent site damage that is created on an ongoing basis during production are provided for at their net present values and charged against profits as extraction progresses.

#### (p) *Provisions*

A provision is recognized when the Company has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be reliably estimated. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for onerous contracts is recognized when the expected benefits to be derived by the Company from a contract are lower than the unavoidable cost for meeting its obligations under the contract.

#### (q) *Loss per share*

The Company presents basic and diluted loss per share for its common shares, calculated by dividing the loss attributable to common shareholders of the Company by the weighted average number of common shares outstanding during the period. The treasury stock method is used to arrive at the diluted loss per share, which is determined by adjusting the loss attributable to common shareholders and the weighted average number of common shares outstanding for the effects of all warrants and options outstanding that may add to the total number of common shares. The Company's diluted loss per share does not include the effect of stock options and warrants as they are anti-dilutive.

#### (r) *Revenue recognition*

Revenue from the sale of metals is recognized when the significant risks and rewards of ownership have passed to the buyer; it is probable that economic benefits associated with the transaction will flow to the Company; the sale price can be measured reliably; the Company has no significant continuing involvement; and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Proceeds from the sales of pre-commercial production are recorded as a reduction of mine development expenditures within property, plant and equipment.

## SAGE GOLD INC.

Notes to the Consolidated Financial Statements

For the 15 Month Period Ended December 31, 2017 and the Year Ended September 30, 2016

(Expressed in Canadian Dollars)

### 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (s) *Income taxes*

Income tax comprises current and deferred tax. Income tax is recognized in the consolidated statement of loss and comprehensive loss except to the extent that it relates to items recognized directly in equity, in which case the income tax is also recognized directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted, at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

In general, deferred tax is recognized in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined on a non-discounted basis using tax rates and laws that have been enacted or substantively enacted at the consolidated statement of financial position date and are expected to apply when the deferred tax asset or liability is settled. Deferred tax assets are recognized to the extent that it is probable that the assets can be recovered.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except, in the case of subsidiaries, where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set off current assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Company intends to settle its tax assets and liabilities on a net basis.

#### (t) *Financial instruments*

Financial assets and liabilities are recognized when the Company becomes party to the contracts that give rise to them and are classified as loans and receivables, financial instruments fair valued through profit or loss ("FVTPL"), held-to-maturity, available for sale financial assets and other liabilities, as appropriate. The Company considers whether a contract contains an embedded derivative when the entity first becomes a party to it. The embedded derivatives are separated from the host contract if the host contract is not measured at FVTPL and when the economic characteristics and risks are not closely related to those of the host contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

#### Financial assets

The Company classifies its financial assets in the following categories: FVTPL, loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. The Company determines the classification of its financial assets at initial recognition.

#### Financial assets at FVTPL

Financial assets at FVTPL include financial assets held for trading and financial assets designated upon initial recognition as FVTPL. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IAS 39. Derivatives, including separated embedded

## SAGE GOLD INC.

Notes to the Consolidated Financial Statements

For the 15 Month Period Ended December 31, 2017 and the Year Ended September 30, 2016

(Expressed in Canadian Dollars)

### 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### *(t) Financial instruments (continued)*

derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at FVTPL are carried in the consolidated statements of financial position at fair value with changes in fair value recorded through the consolidated statement of loss. The Company does not have any financial assets at FVTPL.

#### Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are classified as current assets or non-current assets based on their maturity date. Loans and receivables are recognized initially at fair value plus any directly attributable transaction costs and subsequently measured at amortized cost using the effective interest method, less any impairment losses.

The Company's loans and receivables are comprised of cash, short-term investment and reclamation deposit.

#### Available for sale ("AFS") financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or not classified in any of the other financial asset categories. Changes in the fair value of AFS financial assets are recognized as other comprehensive income and classified as a component of equity. The Company does not have any AFS financial assets.

#### Impairment of financial assets

Financial assets, other than those recorded at FVTPL, are assessed for indicators of impairment at each period end. A financial asset is considered impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investments have been adversely impacted. In the case of investments classified as AFS, an evaluation is made as to whether a decline in fair value is significant or prolonged based on an analysis of indicators such as market price of the investment and significant adverse changes in the technological, market, economic or legal environment in which the investee operates.

If an AFS asset is impaired, the change in fair value is recorded in the statement of loss for the period, including cumulative gains or losses previously recognized in other comprehensive income or loss. Reversals of impairment in respect of equity instruments classified as AFS are not recognized in the statement of loss for the period but are included in other comprehensive income or loss.

#### Financial liabilities

Financial liabilities are classified as other financial liabilities or derivative financial liabilities. The Company determines the classification of its financial liabilities at initial recognition.

#### Other financial liabilities

Other financial liabilities, including accounts payable and accrued liabilities, finance leases and loans payable are recognized initially at fair value net of transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Gains and losses are recognized in net loss when the liabilities are derecognized as well as through the amortization process. Borrowing liabilities are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

## SAGE GOLD INC.

### Notes to the Consolidated Financial Statements

For the 15 Month Period Ended December 31, 2017 and the Year Ended September 30, 2016

(Expressed in Canadian Dollars)

#### 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

##### (i) *Financial instruments (Continued)*

###### Derivative instruments

Derivative instruments, including embedded derivatives, are recorded at fair value on initial recognition and at each subsequent reporting period. Any gains or losses from changes in fair value on derivatives are recognized in the consolidated statement of loss. The Company classifies the gold prepayment agreement with CRH as a derivative financial liability.

###### Fair values

Financial assets and liabilities are classified in the fair value hierarchy according to the lowest level of input that is significant to the fair value measurement. Assessment of the significance of a particular input to the fair value measurement requires judgment and may affect placement within the fair value hierarchy levels. The hierarchy is as follows:

- a. Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- b. Level 2: inputs other than quotes prices included in Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- c. Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matters of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

###### Derecognition of financial assets and liabilities

A financial asset or part thereof, where applicable, is derecognized when either the rights to receive cash flows from the asset have expired or the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement and either the Company has transferred substantially all the risks and rewards of the asset or the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset. Any accumulated fair value adjustments recognized in the consolidated statement of other comprehensive loss are then included in net loss.

Where the Company has retained partial control and/or partial exposure to the risks and rewards, the asset is still recognized to the extent of the Company's continuing involvement in the asset. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in the statement of loss.

## SAGE GOLD INC.

Notes to the Consolidated Financial Statements

For the 15 Month Period Ended December 31, 2017 and the Year Ended September 30, 2016  
(Expressed in Canadian Dollars)

### 2. BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES (continued)

#### (t) *Financial instruments (Continued)*

##### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

#### (u) *Joint arrangements*

A joint arrangement is defined as one over which two or more parties have joint control, which is the contractually agreed sharing of control over an arrangement. This exists only when the decisions about the relevant activities (being those that significantly affect the returns of the arrangement) require the unanimous consent of the parties sharing control. There are two types of joint arrangements, joint operations (“JO”) and joint ventures (“JV”).

A JO is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets and obligations for the liabilities, relating to the arrangement. In relation to interests in joint operations, the Company recognizes its share of any assets, liabilities, revenues and expenses of the JO.

A JV is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Investments in JVs are accounted for using the equity method.

#### (v) *Changes in accounting policies*

The Company did not change any accounting policies during the period ended December 31, 2017.

### 3. RECENT ACCOUNTING PRONOUNCEMENTS

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2018 or later periods. Many are not applicable or do not have a significant impact on the Company and have been excluded. The following pronouncements have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments (“IFRS 9”): This standard uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39: Financial Instruments Recognition and Measurement. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity’s own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company has evaluated that there will be no impact on the financial statements on the adoption of IFRS 9.

## **SAGE GOLD INC.**

Notes to the Consolidated Financial Statements

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(Expressed in Canadian Dollars)

### **3. RECENT ACCOUNTING PRONOUNCEMENTS (continued)**

IFRS 15 - Revenue from Contracts with Customers ("IFRS 15"): This standard will replace IAS 11: Construction Contracts, IAS 18: Revenue and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control-based approach to recognize revenue, which is a change from the risk and reward approach under the current standard. Revenue is recognized when the customer obtains control of an item of goods or service and thus has the ability to direct the use and obtain the benefits from the goods or service. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for periods beginning on or after January 1, 2018. The Company has determined that there will be no impact on the financial statements on the adoption of IFRS 15.

IFRS 16 - Leases ("IFRS 16") issued in January 2016, replaces IAS 17, Leases and its associated interpretive guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted, provided the Company has adopted IFRS 15. The Company is in the process of assessing the impact on the financial statements of this new standard.

### **4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY**

The preparation of these consolidated financial statements in conformity with IFRS requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These consolidated financial statements include estimates that, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the consolidated financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### **Critical accounting estimates**

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

## **SAGE GOLD INC.**

Notes to the Consolidated Financial Statements

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(Expressed in Canadian Dollars)

### **4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)**

#### **The valuation of share-based compensation and share purchase warrants**

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based non-vested share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

#### **Impairment of assets and associated carrying values**

In the determination of carrying values and impairment charges, management looks at the higher of the recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting date.

#### **Capitalization of mineral property acquisition costs**

Management has determined that mineral property acquisition costs incurred during the period have been impaired. In making this judgment, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits. See Note 11 for details of capitalized mineral property costs.

#### **Impairment of mineral properties and equipment**

While assessing whether any indications of impairment exist for mineral properties, consideration is given to both external and internal sources of information. External sources of information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of mineral properties. Internal sources of information include the manner in which mineral properties are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mineral properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's mineral properties (see Notes 10 and 11).

#### **Reclamation and decommissioning provisions**

The cost estimates are updated annually during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to changes in laws and regulations and negotiations with regulatory authorities.

## **SAGE GOLD INC.**

Notes to the Consolidated Financial Statements

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(Expressed in Canadian Dollars)

### **4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)**

#### **Gold prepayment agreement**

Judgement is required in assessing the appropriate accounting treatment of the gold prepayment agreement on the closing date and in future periods. Management considers the specific terms of the agreement. This assessment considers what the counterparty is entitled to and the associated risks and rewards attributable to them over the life of the operation, including contractual terms related to the total production over the life of the arrangement as compared to the expected production over the life of the mine, the percentage being sold and percentage of payable metals produced.

For the gold prepayment agreement entered into during the 15 month period ended December 31, 2017, the counterparty has the option to receive payment in cash rather than refined gold. Accordingly, management considers this arrangement a derivative liability.

The valuation of the derivative in this arrangement is an area of estimation and is determined using discounted cash flow models. These models require a variety of inputs, including, but not limited to, contractual terms, market prices, forward curve prices, mine plans and discount rates. Changes in these assumptions could affect the carrying value of derivative assets or liabilities and the amount of gains or losses recognized in net loss.

As at December 31, 2017, the Company's gold prepayment commitment is anticipated to be 20,155 ounces of gold over the expected life of the instrument and has been estimated using the existing preliminary economic assessment prepared in 2013. The Company is in the process of completing an updated Mineral Resource estimate and updated life-of-mine plan but these updates were not available at the time the financial statements were approved for issue.

#### **Income, value added, withholding and other taxes**

The Company is subject to income, value added, withholding and other taxes, including taxes related to flow-through expenditure renunciations. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting date. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

#### **Critical accounting judgments**

- The Company's assumption of the completeness of restoration, rehabilitation and environmental provision, based on the facts and circumstances that existed during the period;
- The assumptions used for determining the amount and timing of gold production in the life of mine plan for the purposes calculating the fair value of the gold prepayment stream with CRH;

## **SAGE GOLD INC.**

Notes to the Consolidated Financial Statements

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(Expressed in Canadian Dollars)

### **4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)**

- The assumptions used for determining the amount of flow-through share liability, deferred income taxes provisions and deferred income tax assets and liabilities including future income tax rate and recoverability; and
- Going concern presentation of the consolidated financial statements which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

### **5. CAPITAL MANAGEMENT**

The Company's primary objectives in capital management are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain sufficient funds to finance the development of the Clavos Project. In addition to cash and debt, the Company considers its capital under management to consist of share capital, special warrants, warrants, stock options, contributed surplus and deficit which at December 31, 2017 totaled (\$17,520,161) (September 30, 2016 – (\$3,320,696)). The Company manages its capital structure to maximize its financial flexibility in response to changes in economic conditions and the risk characteristics of the underlying assets and business opportunities.

The Company intends to continue to assess new resource properties and seek to acquire an interest in additional properties if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so. The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures and other investing and financing activities. The forecast is updated based on activities related to its mineral properties. Selected information is provided to the board of directors of the Company. To maintain or adjust its capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents and investments.

While management reviews its capital management approach on a regular basis, a significant risk remains in that there can be no assurance that adequate additional financing will be available on terms acceptable to the Company or at all which could have a material adverse impact on the Company's financial condition and results of operations and ability to continue as a going concern.

### **6. FINANCIAL RISK FACTORS**

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk, including interest rate, foreign exchange rate and equity and commodity price risk. Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the board of directors. The board of directors also provides regular guidance for overall risk management.

#### Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to fulfill its contractual payment obligations. The Company's credit risk is primarily attributable to cash, short-term investments, HST receivable and reclamation deposit. The Company has no significant concentration of credit risk arising from operations. Cash and short-term investments are held with reputable

## SAGE GOLD INC.

Notes to the Consolidated Financial Statements

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(Expressed in Canadian Dollars)

financial institutions, from which management believes the risk of loss to be remote. HST receivable consists

### 6. FINANCIAL RISK FACTORS (continued)

of harmonized sales tax due from the Federal Government of Canada. The Company's reclamation deposit is held with the Ontario Ministry of Northern Mines and Development. Management believes the risk of loss to be remote.

#### Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or as a result of conditions specific to the Company. As at December 31, 2017, the Company had cash and short-term investments of \$62,221 (September 30, 2016 - \$450,711) to settle current liabilities of \$12,650,102 (September 30, 2016 - \$4,559,024). All of the Company's accounts payable have contractual maturities of 30-45 days or due on demand and are subject to normal trade terms. In order to fund this significant deficiency, the Company requires profitable mining at its Clavos Project and additional debt and/or equity financing. In addition, the Company requires additional funds to fund exploration and ongoing development expenditures and maintain general and administrative expenses over the coming year. Beginning in January 2018, the Company is also obligated to deliver 15% of its gold production from the Clavos Project to CRH in connection with the gold prepayment agreement (see Note 17). The Company regularly evaluates its cash position to maintain liquidity (see Notes 1 and 5).

#### Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company does not have a practice of trading derivatives.

#### *Interest rate risk*

The Company has cash balances and no variable interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term certificates of deposit issued by its banking institution. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its bank. The Company does not use any derivative instrument to reduce its exposure to interest rate risk. As at December 31, 2017, the Company required the use of its cash to fund ongoing working capital requirements and did not have any investments other than the short-term investment required by its bank to collateralize the Company's credit card with the bank.

#### *Foreign currency risk*

The Company's foreign exchange risk arises from transactions denominated in other currencies. The Company operates exclusively in Canada and its functional and reporting currency is the Canadian dollar. The majority of its expenditures are in Canadian dollars. From time to time there may be minor expenditures denominated in United States dollars, exposing the Company to foreign exchange risk based on fluctuations in the exchange rate between the Canadian and United States dollar. The Company's gold sales from its Clavos Project are denominated in United States dollars.

The Company converts the proceeds from gold sales into Canadian dollars immediately following the receipt of those proceeds. As such, the Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk. As at December 31, 2017, the Company held a balance of \$57 denominated in U.S. dollars (September 30, 2016 - \$nil in U.S. dollars) In addition, CRH may elect to be repaid in United States dollars instead of gold, however since gold is priced in United States dollars and the

## SAGE GOLD INC.

Notes to the Consolidated Financial Statements

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(Expressed in Canadian Dollars)

### 6. FINANCIAL RISK FACTORS (continued)

Company would be holding physical gold, the Company would not be exposed to foreign currency risk. The Company does not use derivative instruments to reduce its exposure to foreign currency risk nor has it entered into foreign exchange contracts to hedge against gains or losses from foreign exchange fluctuations.

#### *Price risk*

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

#### Sensitivity analysis

Based on management's knowledge of and experience with the financial markets, the Company believes the following movements are "reasonably possible" over a year:

(i) The Company's short-term investment of \$10,000 carries a fixed interest rate of 0.5%. As such, the Company is not exposed to interest rate risk.

(ii) Commodity price risk could affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market for precious metals. As of December 31, 2017, the Company had yet to determine the technical feasibility and economic viability of the Clavos Project and was continuing to mine bulk samples. As a result, commodity price risk is not currently significant. However, fluctuations in the gold price may affect the ability to complete future equity offerings and depending on how it affects the price of the Company's stock, may impact the exercise of stock options and warrants. The Company closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

## SAGE GOLD INC.

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### 7. CATEGORIES OF FINANCIAL INSTRUMENTS

	December 31, 2017	September 30, 2016
<b>Financial assets:</b>		
<b>Loans and receivables</b>		
Current		
Cash	\$ 52,221	\$ 440,711
Short-term investment	\$ 10,000	\$ 10,000
Non-current		
Reclamation deposit	\$ 310,157	\$ 310,645
<b>Financial liabilities:</b>		
<b>Other financial liabilities</b>		
Current		
Accounts payable and accrued liabilities	\$ 6,146,091	\$ 963,240
Finance leases	\$ 760,338	\$ -
Loans payable	\$ 1,393,426	\$ 3,595,784
<b>Derivatives - FVTPL</b>		
CRH financing	\$ 12,819,602	\$ -

As at December 31, 2017 and September 30, 2016, the fair value of all of the Company's financial instruments held at amortized cost approximates fair value, due to their short-term nature. Fair value of accounts payable and accrued liabilities and loans payable may be less than the carrying value for some of these instruments given going concern uncertainties described in Note 1. As at December 31, 2017, the CRH financing was held at fair value and is considered to be Level 3 under the fair value hierarchy. There were no financial instruments held at fair value at September 30, 2016.

Level 3 hierarchy:

The following table presents the changes in fair value measurements of financial instruments classified as level 3 within the fair value hierarchy. These financial instruments are measured at fair value utilizing non-observable inputs. The net change in fair value is recognized in profit or loss within mark to market gain (loss).

CRH financing derivative liability	December 31, 2017	September 30, 2016
Opening Balance	\$ -	\$ -
Acquired during the period	22,074,383	-
Change in fair value during the period	233,322	-
Ending balance	\$ 23,803,594	\$ -

The valuation technique used is a modified market approach which includes future expected gold production as an unobservable input. As the valuation of derivatives for which market quotations are not readily available are inherently uncertain, the values fluctuate materially within short periods of time and are based on estimates, and determinations of fair value may differ materially from values that would have resulted if a ready market existed for the derivatives.

## SAGE GOLD INC.

Notes to the Consolidated Financial Statements

For the 15 Month Period Ended December 31, 2017 and the Year Ended September 30, 2016  
(Expressed in Canadian Dollars)

### 7. CATEGORIES OF FINANCIAL INSTRUMENTS (continued)

The value of the CRH Financing derivative liability as at December 31, 2017 was estimated based on the expected future production of gold by the Company. This estimate was made by management based on a preliminary economic assessment. The model is most sensitive to the future expected production of gold (in ounces) by the Company, the expected future price of gold and the expected future exchange rate between United States dollars and Canadian Dollars. As at December 31, 2017 a 5% increase/decrease in any of these inputs while keeping all other inputs constant would result in an increase/decrease in the fair value of the CRH financing derivative liability of \$158,481.

This sensitivity analysis is intended to reflect the uncertainty inherent in the valuation of these investments under current market conditions, and its results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the fair value of the derivative. Furthermore, the analysis does not indicate a probability of such changes occurring and it does not necessarily represent the Company's view of expected future changes in the fair value of the derivative. Any management actions that may be taken to mitigate the inherent risks are not reflected in this analysis.

Refer to Note 17 for further information regarding the carrying value of the CRH financing derivative liability.

### 8. HST RECEIVABLE

	December 31, 2017	September 30, 2016
HST receivable	\$ 550,524	\$ 19,610

### 9. INVENTORIES

	December 31, 2017	September 30, 2016
Ore in process	\$ 54,689	\$ -
Finished metal inventory	213,721	-
	\$ 268,410	\$ -

As at December 31, 2017, ore in process and finished metal inventory were recorded at net realizable value. Ore in process is crushed ore either at site or at the custom milling facility and finished metal inventory is doré at a third party refinery in Brampton, Ontario.

## SAGE GOLD INC.

Notes to the Consolidated Financial Statements

For the 15 Month Period Ended December 31, 2017 and the Year Ended September 30, 2016

(Expressed in Canadian Dollars)

### 10. PROPERTY, PLANT AND EQUIPMENT

Period ended December 31, 2017	Computer Equipment	Office Furniture	Mine Development	Buildings and Site	Mining Equipment	Total
Cost						
Balance, September 30, 2016	\$ 28,115	\$ -	\$ -	\$ -	\$ -	\$ 28,115
Additions	26,877	4,090	9,554,113	1,576,427	2,027,699	13,189,206
Write-down	-	-	(9,554,113)	(1,350,187)	-	(10,904,300)
Balance, December 31, 2017	54,992	4,090	-	226,240	2,027,699	2,313,021
Accumulated Amortization						
Balance, September 30, 2016	24,954	-	-	-	-	24,954
Amortization for the period	7,029	-	-	-	-	7,029
Balance, December 31, 2017	31,983	-	-	-	-	31,983
Net book value – December 31, 2017	\$ 23,009	\$ 4,090	\$ -	\$ 226,240	\$ 2,027,699	\$ 2,281,038

Year ended September 30, 2016	Computer Equipment	Office Furniture	Mine Development	Buildings and Site	Mining Equipment	Total
Cost						
Balance, September 30, 2015 and 2016	\$ 28,115	\$ -	\$ -	\$ -	\$ -	\$ 28,115
Accumulated Amortization						
Balance, September 30, 2015	23,594	-	-	-	-	23,594
Amortization for the year	1,360	-	-	-	-	1,360
Balance, September 30, 2016	24,954	-	-	-	-	24,954
Net book value – September 30, 2016	\$ 3,161	\$ -	\$ -	\$ -	\$ -	\$ 3,161

During the period ended December 31, 2017, the Company entered into an \$11.5 million financing agreement with CRH (see Note 17) to fund the restart and development of the Clavos Project. Expenditures incurred during the period on mine development activities and buildings and site infrastructure were capitalized in accordance with the Company's accounting policy. The Company is in the process of completing an updated mineral resource estimate and updated life-of-mine plan. As such, the Company was not able to conduct an impairment analysis of the carrying value of mine development costs based on a discounted cash flow model. In addition, further development will be required to execute the updated plan. As a result of the risks and uncertainties faced by the Company (see Notes 1 and 6) associated with market conditions and obtaining additional financing necessary to complete further development of the Clavos Project, management decided to write-down \$9,554,113 of mine development costs, \$1,350,187 of site and building costs and a further \$1,371,117 included in mineral properties. Once it has been reestablished that the Project is technically feasible and commercially viable, supported by an updated Mineral Resource estimate and life-of-mine plan supported by sufficient funding to execute the plan, management will assess the Project's recoverable amount for the purpose of possibly reinstating amounts written off. Until such time, any further mine development expenditures will be expensed as incurred through the statement of operations.

## SAGE GOLD INC.

Notes to the Consolidated Financial Statements

For the 15 Month Period Ended December 31, 2017 and the Year Ended September 30, 2016

(Expressed in Canadian Dollars)

### 11. MINERAL PROPERTIES

	Onaman Property	Jacobus Property	Clavos Project	Total
Balance, September 30, 2015	\$ 321,225	\$ -	\$ 256,688	\$ 577,913
Additions	50,000	25,000	-	75,000
Write-offs	-	(25,000)	-	(25,000)
Balance, September 30, 2016	371,225	-	256,688	627,913
Additions:				
Purchase of 40% Clavos JV	-	-	997,971	997,971
40% of asset retirement obligation	-	-	116,458	116,458
Write-down	-	-	(1,371,117)	(1,371,117)
<b>Balance, December 31, 2017</b>	<b>\$ 371,225</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 371,225</b>

#### Clavos Project

On February 9, 2010, the Company entered into an option agreement with St. Andrew Goldfields Ltd. ("St Andrew") on the Clavos Project ("Clavos") located in the Timmins Mining District in Northeastern Ontario. Upon being vested with a 60% interest in the Project, Sage and St Andrew entered into a Joint Venture Agreement ("Clavos JV") with Sage being the operator.

On January 26, 2016, Kirkland Lake Gold ("Kirkland Lake") completed the acquisition of St Andrew. On October 25, 2016, the Company entered into an agreement with Kirkland Lake to purchase the remaining 40% of the Clavos JV for \$1.0 million in cash and a 2% NSR royalty on future production from Clavos. Sage may reduce the payment at any time by making a cash payment to Kirkland Lake of \$1.0 million.

On November 17, 2016, the Company completed an equity financing for \$1,850,000 with CRH (see Note 18(c)(vii)). \$1,000,000 of the proceeds was paid to Kirkland Lake to complete the acquisition of the remaining interest in the Clavos JV to own 100% of the Project.

In connection with assessing the carrying values of amounts included in property, plant and equipment for the Clavos Project for impairment, the Company decided to additionally write-down \$1,371,117 included in mineral properties during the 15 months ended December 31, 2017 (see also Note 10).

#### Onaman Property

On May 3, 2006, the Company signed an option agreement with two arms' length individuals to earn a 100% in the Onaman property which includes the Company's copper/gold/silver Lynx deposit. The Company completed the earn-in by making cash payments of \$86,100, issuing common shares valued at \$35,750 and completing work commitments totaling \$325,000. The vendors retain a 2% Net Smelter Return ("NSR") royalty on base metals and a 3% NSR royalty on precious metals. The NSR's can be reduced to 1% on base metals and 2% on precious metals, respectively for a payment of \$1,000,000. The Company is required to make advanced royalty payments of \$25,000 per year. In addition, the Company acquired additional mining leases in February 2008, forming part of the Onaman property, for a cash payment of \$50,000. These leases are excluded from the NSR royalty described above.

## SAGE GOLD INC.

Notes to the Consolidated Financial Statements

For the 15 Month Period Ended December 31, 2017 and the Year Ended September 30, 2016

(Expressed in Canadian Dollars)

### 11. MINERAL PROPERTIES (continued)

#### Jacobus Property

During the year ended September 30, 2014, the Company made a decision not to explore the Jacobus property and recorded an impairment charge of \$200,000. The Company returned the Jacobus claims to the property owner in January 2016 and paid a final advanced royalty payment owing of \$25,000 at that time.

#### Beardmore/Geraldton Properties

On November 5, 2013, the Company entered into an option agreement with Silver Stream Mining Corp. ("Silver Stream") whereby Silver Stream could earn an initial 55% undivided interest in the Solomon Pillars Gold Property in Beardmore, Ontario, with option to increase the interest to 80% by making certain cash and share payments, incurring certain exploration expenditures and assuming the responsibility of making annual advance royalty payments totaling \$25,000 to the underlying property owners. On May 17, 2016, Stratabound Minerals Corp. completed the acquisition of Silver Stream and elected to allow the option with Sage to expire. As a result, the Company has resumed responsibility for the annual advance royalty payment. During the year ended December 31, 2017, the Company paid \$25,000 towards the 2017 advance royalty payment, however, the payment relating to 2016 remains outstanding and has been accrued as at December 31, 2017.

### 12. EXPLORATION AND EVALUATION EXPENDITURES

All exploration and evaluation expenditures have been incurred in Canada and include the following:

	15 Months Ended December 31, 2017	Year Ended September 30, 2016
Onaman Property	\$ 608,536	\$ 128,780
Clavos Property	1,555,555	112,482
Other Properties	139,612	7,272
Total exploration and evaluation expenditures	\$ 2,303,703	\$ 248,534

### 13. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	December 31, 2017	September 30, 2016
Trade payables and accrued liabilities	\$ 5,048,122	\$ 963,240
Accounts payable - leases	281,935	-
Accounts payable – capital assets	816,034	-
	\$ 6,146,091	\$ 963,240

Accounts payable are non-interest bearing and generally due within 30 days or payable on demand. The fair value of accounts payable and accrued liabilities approximate their carrying amount. Trade payables relate mainly to the acquisition of materials, supplies and contractor services.

Accounts payable – leases, represents amounts owing for various mining equipment pursuant to finance leases that are past due as at December 31, 2017. Accounts payable – capital assets, represents amounts owing in respect of various mining equipment and site infrastructure.

## SAGE GOLD INC.

### Notes to the Consolidated Financial Statements

For the 15 Month Period Ended December 31, 2017 and the Year Ended September 30, 2016  
(Expressed in Canadian Dollars)

#### 14. FINANCE LEASES

Finance leases at December 31, 2017 include the obligations of the Company under various mining equipment and vehicle finance leases. The terms of the finance leases provide that a portion of the monthly lease payment, ranging from 80% to 90% is credited towards the purchase price of the asset, such that the ownership of the asset is transferred to the Company after making a maximum number of monthly payments, the term of which is substantially less than the economic life of the assets. The interest cost which ranges from 10% to 20%, is included in finance expense. The Company's obligations under finance leases are secured by the lessor's title to the leased assets.

#### 15. RECLAMATION DEPOSIT AND DECOMMISSIONING LIABILITIES

Under the laws of the Province of Ontario, the Company is required to maintain reclamation deposits which cover the cost to reclaim the ground disturbed. As at December 31, 2017, the Company has a reclamation deposit with the Ministry of Northern Development and Mines (Ontario), including accrued interest totaling \$310,157 (September 30, 2016 - \$310,645).

Decommissioning liabilities relate to the reclamation work required to be performed in connection with Clavos. The decommissioning liabilities represent the estimated present value of the Company's future closure costs on the Property, and are based on estimates and assumptions as follows:

The current total estimate for the Clavos Property anticipates undiscounted future cash outflows to meet required legislative standards for reclamation and closure work in the amount of \$311,948 (2016 - \$185,712) over a period of 7 years (2016 - 7 years). Future cash flows have been calculated assuming a 1.0% annual inflation rate (2016 - 1.0%) and discounted to present value using a risk-free discount rate of 1.94% (2016 - 0.80%), which is the rate considered applicable in Canada where the Company's properties reside. The Company periodically reviews the estimate of future costs of the requisite reclamation and closure work required by current legislative standards.

The following table presents the reconciliation of the beginning and ending carrying amount of the provision for closure and reclamation associated with the retirement of the Company's mineral properties and pertains 100% to the Clavos Property.

<b>Balance, September 30, 2015</b>	<b>\$ 182,224</b>
Accretion on decommissioning liabilities	3,488
<b>Balance, September 30, 2016</b>	<b>185,712</b>
Acquisition of the remaining 40% interest in the Clavos JV	123,808
Accretion on decommissioning liabilities	2,428
<b>Balance, December 31, 2017</b>	<b>\$ 311,948</b>

## SAGE GOLD INC.

Notes to the Consolidated Financial Statements

For the 15 Month Period Ended December 31, 2017 and the Year Ended September 30, 2016

(Expressed in Canadian Dollars)

### 16. LOANS PAYABLE

	December 31, 2017	September 30, 2016
Waterton Debt Facility	\$ -	\$ 2,395,736
Promissory Note	1,393,426	1,200,048
	<u>\$ 1,393,426</u>	<u>\$ 3,595,784</u>

#### Waterton Debt Facility

On August 13, 2012, the Company closed a \$1.5 million pre-production financing debt facility at an interest rate of 9.5% for an initial term of one year ("Secured Loan") with Waterton Global Value, L.P. ("Waterton"). The Company paid Waterton a 2% structuring fee of \$30,000, issued six million common shares of Sage and reimbursed legal costs of \$96,000 as part of the financing.

Sage initially received \$1.0 million from the financing, with the balance of \$500,000 advanced to the Company on March 14, 2013, upon completion of National Instrument 43-101 ("NI 43-101") Technical Reports on the Clavos Project, providing an updated Mineral Resource Estimate dated October 12, 2012 and a Preliminary Economic Assessment dated April 12, 2013.

The maturity date was extended from August 13, 2013 to February 10, 2014, for which the Company paid a fee of \$125,000. The Company subsequently negotiated maturity date extensions three times during 2014 to October 3, 2014 and agreed to accrue aggregate extension fees of \$270,000. The interest rate was also increased to 12% per annum on August 8, 2014. The maturity date of the Secured Loan and due date for payment of the aggregate extension fees was subsequently extended to October 15, 2015.

Effective September 30, 2015, the Company negotiated a further extension of the maturity date of the Secured Loan to April 15, 2016 and later extended it further to October 15, 2016 for additional aggregate extension fees of \$102,102.

On November 25, 2016, the Secured Loan was extinguished with a payment of \$2,433,289 comprised of \$1,500,000 in principal and \$933,289 in accrued interest and maturity extension fees, out of the proceeds of the first tranche of the CRH financing (see Note 17). Included in this amount was \$37,553 of interest which has been included in finance expense for the period ended December 31, 2017 (September 30, 2016 - \$362,657).

Despite the repayment of the Secured Loan, the Company remains party to a Gold Supply Agreement with Waterton, whereby Waterton has the option to purchase gold production from the Clavos Project at the lesser of the average market price of gold for the 30 trading days immediately prior and the market price of gold on the day immediately prior, for up to the greater of 120,000 ounces or for the first five years of production.

#### Shareholder Promissory Note

During the year ended September 30, 2014, the Company borrowed an aggregate of \$602,860 from a shareholder through the issuance of an unsecured promissory note which bears interest at 12% and matured on February 7, 2016. From October 1, 2014 to June 30, 2015, the Company borrowed an additional \$350,000 and capitalized accrued interest of \$169,986 to bring the outstanding principal balance to \$1,122,846. On February 5, 2016, the maturity date of the note was extended to May 9, 2017. On March 31, 2017, the note

## SAGE GOLD INC.

Notes to the Consolidated Financial Statements

For the 15 Month Period Ended December 31, 2017 and the Year Ended September 30, 2016  
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### 16. LOANS PAYABLE (Continued)

was amended to capitalize an additional \$155,045 in accrued interest to bring the outstanding principal balance to \$1,277,891 and the maturity date was extended to May 9, 2018.

Subsequent to December 31, 2017, on March 12, 2018, the Company borrowed an additional \$400,000 and capitalized accrued interest of \$145,364 to bring the outstanding principal balance to \$1,823,255 and extended the maturity date to December 12, 2018.

The balance owing at December 31, 2017 of \$1,393,426 includes \$1,277,891 in principal and \$115,535 of accrued interest (September 30, 2016 - \$1,122,846 in principal and \$77,202 of accrued interest). In addition, during the 15 month period ended December 31, 2017 and the year ended September 30, 2016, interest expense of \$193,379 and \$118,332, respectively, was recorded in finance expense.

#### Shareholder Promissory Note

During the year ended September 30, 2016, an officer and director of the Company advanced \$60,000 to the Company in the form of a promissory note. The note was repaid in full prior to September 30, 2016.

### 17. CRH FINANCING

In September 2016, the Company entered into an \$11.5 million financing agreement with CRH, which consisted of \$1,850,000 in equity (see Note 18(c)(vii)) and a \$9,650,000 gold prepayment advance to the Company. \$1,000,000 of the equity raise was used to purchase the remaining 40% interest in the Clavos JV from Kirkland Lake (see Note 11).

On November 17, 2016, the Company completed the gold prepayment agreement ("GPA") with CRH. Under the terms of the GPA, CRH was committed to advance \$9,650,000 to the Company over three tranches, subject to meeting certain terms and conditions, in exchange for delivery of 15 percent of the gold produced at Clavos, commencing after commercial production has been achieved, but in any event, no later than December 27, 2017. The term of the gold delivery is over a 72-month period, provided that commercial production has been maintained over the term and a minimum of 16,100 ounces of gold has been delivered to CRH over the term. In any event, the agreement terminates, regardless of term, if the Company has delivered an aggregate of 26,000 ounces of gold to CRH, being the maximum amount deliverable under the GPA.

On November 25, 2016, the Company drew down the first tranche of the GPA of \$4,390,000 receiving net proceeds of \$1,532,681. \$2,433,289 was paid to Waterton to repay the Secured Loan (see note 16). \$289,500 was withheld by CRH as an establishment fee being 3% of the facility amount and an additional \$134,530 was withheld by CRH in respect of the Company's requirement to reimburse CRH for US\$100,000 in legal fees associated with the financing. The Company also incurred legal fees and other closing costs in relation to the transaction of \$191,242 paid in cash and \$70,000 paid in common shares of the Company (see Note 18(d)(iii)).

On March 2, 2017, the Company drew down the second tranche of the GPA of \$2,000,000 and on July 26, 2017, the Company received the third and final tranche of the GPA of \$3,260,000 bringing the total amount advanced to the Company of \$9,650,000.

## SAGE GOLD INC.

### Notes to the Consolidated Financial Statements

For the 15 Month Period Ended December 31, 2017 and the Year Ended September 30, 2016

(Expressed in Canadian Dollars)

#### 17. CRH FINANCING (continued)

Of the \$11,500,000 advanced by CRH by way of equity and the GPA, the Company netted \$7,451,439 to be used in the development of the Clavos Project and for general working capital purposes. The GPA is secured against all of the Company's assets.

As at December 31, 2017, the Company recorded a CRH financing liability as follows:

Fair value November 17, 2016	\$ 22,074,383
Subsequent cash received from CRH	
Accretion interest	2,936,285
Change in fair value	233,332
Gold prepayment liability	25,244,000
Less:	
Deferred loss	(12,424,398)
<b>CRH Liability December 31, 2017</b>	<b>12,819,602</b>
<hr/>	
Current portion	4,350,247
CRH financing liability, long term	8,469,355
<b>CRH Liability December 31, 2017</b>	<b>12,819,602</b>

CRH holds a general security agreement over most of the Company's assets in the event that the GPA is terminated as a remedy to an event of default that remains uncured.

The gold prepayment liability of \$25,244,000 (November 17, 2016 - \$22,074,383) was calculated using the following assumptions:

	December 31, 2017	November 17, 2016
Discount rate	11.50%	11.50%
Expected life of gold stream	72 months	72 months
Expected repayment in gold ounces	20,155	20,155
Weighted average spot gold price - US\$/oz.	1,312	1,227
Weighted average spot currency forward (USD/CAD)	1.2545	1.3429

The difference of cash received of \$9,650,000 and the initial fair value of the gold prepayment liability of \$22,074,383 was recorded as a deferred loss and will be recognized over the units of production.

## SAGE GOLD INC.

Notes to the Consolidated Financial Statements

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### 18. SHARE CAPITAL

#### (a) Authorized

Unlimited common shares, without par value.

#### Issued and Outstanding

Share Capital	Note	Number of Common Shares	Amount
<b>Balance at September 30, 2015</b>		<b>16,856,909</b>	<b>\$ 30,329,796</b>
Private placement - common shares - October 1, 2015	18(c)(i)	540,000	27,000
Private placement - units - December 3, 2015	18(c)(ii)	1,000,000	50,000
Less: warrant valuation		-	(23,441)
Private placement - F-T units - December 30, 2015	18(c)(iii)	2,530,000	126,500
Less: warrant valuation		-	(29,642)
Premium on F-T common shares	18(c)(iii)	-	(29,560)
Common shares issued to settle debts - March 21, 2016	18(d)(i)	5,019,072	250,954
Private placement - units - May 11, 2016	18(c)(iv)	5,085,000	254,250
Less: warrant valuation		-	(76,597)
Private placement - units - June 7, 2016	18(c)(v)	5,610,000	280,500
Less: warrant valuation		-	(55,655)
Private placement - F-T units - September 13, 2016	18(c)(vi)	6,250,000	625,000
Less: warrant valuation	18(c)(vi)	-	(122,920)
Common shares issued to finders	18(c)(vi)	207,500	22,825
Share issuance costs - common shares issued to finders	18(c)(vi)	-	(22,825)
Share issuance costs - finders' warrants valuation	18(c)(ii)(iii)	-	(8,062)
Share issuance costs - cash finders' fees paid		-	(45,425)
Share issuance costs - legal fees		-	(20,109)
<b>Balance at September 30, 2016</b>		<b>43,098,481</b>	<b>\$ 31,532,589</b>
<b>Balance at September 30, 2016</b>		<b>43,098,481</b>	<b>\$ 31,532,589</b>
Private placement - units - November 17, 2016	18(c)(vii)	10,700,000	1,070,000
Less: warrant valuation	18(c)(vii)	-	(332,743)
Common shares issued to settle debts - December 16, 2016	18(d)(ii)	935,528	102,909
Private placement - units - December 22, 2016	18(c)(viii)	9,325,755	1,025,833
Less: warrant valuation	18(c)(viii)	-	(136,003)
Units issued to finders - common shares	18(c)(viii)	250,590	23,911
Private placement - F-T common shares - December 22, 2016	18(c)(viii)	3,056,429	427,900
Private placement - F-T common shares - June 23, 2017	18(c)(ix)	8,075,897	1,938,216
Premium on F-T common shares	18(c)(ix)	-	(80,759)
Common shares issued to settle debts - August 27, 2017	18(d)(iii)	472,000	94,400
Private placement - F-T units - October to December 2017	18(c)(x)	8,501,527	1,870,336
Less: warrant valuation		-	(308,047)
Exercise of warrants - cash proceeds	19	1,485,950	148,595
Exercise of warrants - valuation	19	-	33,942
Share issuance costs - common shares issued to finders	18(c)(viii)	-	(23,911)
Share issuance costs - finders' warrants valuation		-	(72,113)
Share issuance costs - finders' fee		-	(319,941)
Share issuance costs - legal and filing fees		-	(17,832)
<b>Balance at December 31, 2017</b>		<b>85,902,157</b>	<b>\$ 36,977,282</b>

## SAGE GOLD INC.

Notes to the Consolidated Financial Statements

For the 15 Month Period Ended December 31, 2017 and the Year Ended September 30, 2016

(Expressed in Canadian Dollars)

### 18. SHARE CAPITAL (continued)

#### (b) Share Issuances

(i) On October 1, 2015 the Company issued 540,000 common shares from the September 30, 2015 non-brokered private placement financing. The financing raised gross proceeds of \$27,000 consisting of the sale of 540,000 common shares at \$0.05 per common share. The proceeds were received prior to September 30, 2015, and were recorded as shares to be issued as at September 30, 2016.

(ii) On December 3, 2015, the Company closed the first tranche of its non-brokered private placement raising \$40,000 in cash and settled \$10,000 in debt by issuing 1,000,000 units at a price of \$0.05 per unit. Each unit consisted of one common share and one common share purchase warrant. The Company also issued 40,000 Finders' Warrants to eligible finders. Each warrant and Finders' Warrant entitles the holder to purchase one common share at a price of \$0.10 for a period of 36 months until December 3, 2018. The 1,000,000 warrants were valued at \$23,441 and the 40,000 Finders' Warrants were valued at \$841. In addition, the Company paid \$1,000 of finders' fees in cash.

(iii) On December 30, 2015, the Company closed the second and final tranche closing of its non-brokered private placement. The second tranche consisted of flow-through ("F-T") units. The Company issued 2,530,000 FT units at a price of \$0.05 per unit for gross proceeds of \$126,500. Each FT unit consists of one common share of the Company issued on a flow-through basis and one-half (1/2) of one non-flow-through common share purchase warrant for the Company. The Company issued 125,000 Finders' Warrants to eligible finders. Each whole warrant and Finders' Warrant is exercisable at a price of \$0.10 for a period of 48 months. The 1,265,000 warrants were valued at \$29,642 and the 125,000 Finders' Warrants were valued at \$7,221. In addition, the Company paid \$675 of finders' fees in cash.

The F-T units were issued at a premium to the market price in recognition of the tax benefits accruing to subscribers. The F-T premium, originally calculated to be \$29,560, is reduced as flow-through funds are spent on Canadian Exploration Expenses ("CEE").

(iv) On May 11, 2016, the Company issued 5,085,000 units at a price of \$0.05 per unit for gross proceeds of \$254,250. Each unit consists of one common share of the Company plus one half (1/2) common share purchase warrant. Each full warrant entitles its holder to purchase one common share at an exercise price of \$0.10 for a period of 24 months until May 11, 2018. The 2,542,500 warrants were valued at \$76,597. In addition, the Company paid \$6,800 of finders' fees in cash.

(v) On June 7, 2016, the Company closed the second and final tranche of its non-brokered private placement of units for gross proceeds of \$280,500 through the issuance of 5,610,000 units at a price of \$0.05 per unit. Each unit consists of one common share of the Company plus one half (1/2) common share purchase warrant. Each full warrant entitles its holder to purchase one common share at an exercise price of \$0.10 for a period of 24 months until June 7, 2018. The 2,805,000 warrants were valued at \$55,655. In addition, the Company paid \$16,200 of finders' fees in cash.

(vi) On September 13, 2016, the Company closed its non-brokered private placement of F-T units for gross proceeds of \$625,000 through the issuance of 6,250,000 F-T units at a price of \$0.10 per F-T unit. Each F-T unit consists of one common share of the Company issued on a flow-through basis and one-half (1/2) of one non-flow-through common share purchase warrant of the Company. Each whole warrant is exercisable at a price of \$0.20 for a period of 24 months. The 3,125,000 warrants were valued at \$122,920. In addition, the Company paid \$20,750 of finders' fees in cash and issued 207,500 common shares to certain eligible finders in connection with the closing valued at \$22,825.

(vii) On November 17, 2016, CRH invested \$1,850,000 in the Company through the purchase of 10,700,000 units at a price of \$0.10 per unit for gross proceeds of \$1,070,000 and 7,800,000 Special warrant units at a

## SAGE GOLD INC.

### Notes to the Consolidated Financial Statements

For the 15 Month Period Ended December 31, 2017 and the Year Ended September 30, 2016

(Expressed in Canadian Dollars)

#### 18. SHARE CAPITAL (continued)

price of \$0.10 per unit for gross proceeds of \$780,000 (see also Note 19). Each unit consists of one common share of the Company and one common share purchase warrant exercisable at a price of \$0.1575 per common share for a period of three years. The 10,700,000 warrants were valued at \$332,743.

(viii) On December 22, 2016 the Company closed a non-brokered private placement of 9,325,755 units at \$0.11 per unit for gross proceeds of \$1,025,833. The Company also issued 250,590 Finders' units in connection with the financing. Each unit and Finders' unit consists of one common share and one half ( $\frac{1}{2}$ ) common share purchase warrant exercisable at \$0.24 for a period of 24 months. In addition, the Company paid \$80,558 of finders' fee in cash in connection with the financing. The fair value of the warrants associated with the units was \$136,003 and with the Finders' units was \$3,654. The fair value of the Finders' common shares issued was \$23,911.

In addition, the Company also completed the closing of a non-brokered private placement of 3,056,430 F-T common shares at \$0.14 per F-T share for gross proceeds of \$427,900. The amount recorded in stated capital includes the premium related to the issue in the amount of \$61,112.

(ix) On June 23, 2017, the Company closed a non-brokered private placement of 8,075,897 flow-through common shares at \$0.24 per share for gross proceeds of \$1,938,216. In connection with the offering, the Company issued 378,934 compensation warrants, having a fair value of \$49,405, to certain eligible finders. Each compensation warrant entitles the holder to purchase one common share at an exercise price of \$0.30 per share for a period of 36 months following the closing date. In addition, the Company paid \$101,944 of cash finders' fees and incurred \$9,691 of other costs in connection with the financing.

The F-T common shares were issued at a premium to the market price in recognition of the tax benefits accruing to subscribers. The F-T premium, originally calculated to be \$80,759, is reduced as flow-through funds are spent on CEE.

(x) On October 23, 2017, the Company closed the first tranche of a non-brokered private placement consisting of 2,729,000 F-T units at \$0.22 per unit for gross proceeds of \$600,380. In connection with this first tranche, the Company paid \$41,989 in finders' fees and issued 56,850 finders' warrants. The fair value of the 1,364,500 warrants associated with the F-T units was \$98,882 and with the finders' warrants was \$4,125.

On October 31, 2017, the Company closed the second tranche of a non-brokered private placement consisting of 1,597,500 F-T units at \$0.22 per unit for gross proceeds of \$351,450. In connection with the second tranche, the Company paid \$28,116 in finders' fees and issued 79,875 finders' warrants. The fair value of the 798,750 warrants associated with the F-T units was \$57,837 and with the finders' warrants was \$5,790.

On November 14, 2017, the Company closed the third tranche of a non-brokered private placement consisting of 802,300 F-T units at \$0.22 per unit for gross proceeds of \$176,506. In connection with the third tranche, the Company paid \$8,334 in finders' fees and issued 12,250 finders' warrants. The fair value of the 401,150 warrants associated with the F-T units was \$29,068 and with the finders' warrants was \$889.

On December 1, 2017, the Company closed the fourth tranche of a non-brokered private placement consisting of 2,272,727 F-T units at \$0.22 per unit for gross proceeds of \$500,000. In connection with the fourth tranche, the Company paid \$40,000 in finders' fees and issued 113,635 finders' warrants. The fair

## SAGE GOLD INC.

Notes to the Consolidated Financial Statements

For the 15 Month Period Ended December 31, 2017 and the Year Ended September 30, 2016

(Expressed in Canadian Dollars)

### 18. SHARE CAPITAL (continued)

value of the 1,136,363 warrants associated with the F-T units was \$82,391 and with the finders' warrants was \$8,250.

On December 13, 2017, the Company closed the fifth and final tranche of a non-brokered private placement consisting of 1,100,000 F-T units at \$0.22 per unit for gross proceeds of \$242,000. In connection with the fifth tranche, the Company paid \$19,000 in finders' fees. The fair value of the 550,000 warrants associated with the F-T units was \$39,869.

In the case of each tranche, each F-T unit is comprised of one common share of the Company, issued on a flow-through basis, and one-half (½) of one common share purchase warrant. Each whole warrant, including the compensation warrants, entitles its holder to purchase one common share at an exercise price of \$0.32 for a period of 24 months following the closing of the respective tranche.

#### (d) Settlement of accounts payable and accrued liabilities

(i) On March 21, 2016, the Company issued 5,019,072 common shares at a deemed price of \$0.05 per share as settlement of accounts payable of \$418,839 for a gain on settlement of accounts payable and accrued liabilities of \$167,183.

(ii) On December 16, 2016, the Company issued 935,528 common shares at a deemed price of \$0.11 per share as settlement of accounts payable of \$112,264 for a gain on settlement of accounts payable and accrued liabilities of \$9,355.

(iii) On August 27, 2017, the Company issued 472,000 common shares at a deemed price of \$0.20 per share as settlement of accounts payable of \$95,533 owing to two trade creditors. The Company recorded a gain on the settlement of accounts payable and accrued liabilities in respect of one of the creditors.

### 19. WARRANTS

The following table shows the continuity of warrants for the years presented:

	Number of Warrants	Weighted Average Exercise Price
Balance at September 30, 2015	649,995	\$ 0.63
Granted	10,902,500	\$ 0.13
Expired	(249,995)	\$ 0.45
Balance at September 30, 2016	11,302,500	\$ 0.15
Granted	20,380,479	\$ 0.22
Exercised	(1,485,950)	\$ 0.10
<b>Balance, December 31, 2017</b>	<b>30,197,029</b>	<b>\$ 0.20</b>

The following table shows the assumptions for estimating the grant date fair value of each series of warrants currently outstanding, using the Black-Scholes option pricing model:

## SAGE GOLD INC.

### Notes to the Consolidated Financial Statements

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(Expressed in Canadian Dollars)

#### 19. WARRANTS (continued)

Grant Date	Risk-free Interest Rate	Expected Stock Price Volatility	Expected Life (in years)	Expected Dividend Yield	Exercise Price	Number Granted	Grant Date Fair Value
February 26, 2014	1.61%	207%	5	0%	\$0.75	400,000	\$84,466
December 3, 2015	0.57%	214%	3	0%	\$0.10	1,040,000	\$24,282
December 30, 2015	0.63%	185%	4	0%	\$0.10	1,390,000	\$36,863
May 11, 2016	0.53%	244%	2	0%	\$0.10	2,542,000	\$76,597
June 7, 2016	0.52%	135%	2	0%	\$0.10	2,805,000	\$55,655
September 13, 2016	0.58%	134%	2	0%	\$0.20	3,125,000	\$122,920
November 17, 2016	0.74%	100%	3	0%	\$0.1575	10,700,000	\$332,743
December 22, 2016	0.83%	100%	2	0%	\$0.24	4,788,172	\$139,657
June 23, 2017	0.96%	100%	3	0%	\$0.30	378,934	\$49,405
October 23, 2017	1.47%	100%	2	0%	\$0.32	1,421,350	\$103,007
October 31, 2017	1.39%	100%	2	0%	\$0.32	878,625	\$63,627
November 14, 2017	1.46%	100%	2	0%	\$0.32	413,400	\$29,957
December 1, 2017	1.52%	100%	2	0%	\$0.32	1,249,988	\$90,641
December 1, 2017	1.50%	100%	2	0%	\$0.32	550,000	\$39,869

#### 2016 Warrant Issuances

On December 3, 2015, the Company issued 1,000,000 warrants and 40,000 finders' warrants, at an exercise price of \$0.10 per share for a period of 36 months, in conjunction with the non-brokered private placement, as disclosed in Note 18(c)(ii). The grant date fair value of the 1,000,000 warrants and 40,000 warrants was estimated to be \$23,441 and \$841, respectively using the Black-Scholes option pricing model.

On December 30, 2015, the Company issued 1,265,000 warrants, and 125,000 finders' warrants, at an exercise price of \$0.10 per share for a period of 48 months, in conjunction with the non-brokered private placement, as disclosed in Note 18(c)(iii). The grant date fair value of the 1,265,000 warrants was estimated to be \$29,642, and the value of the 125,000 finders' warrants was estimated to be \$7,221, using the Black-Scholes option pricing model.

On May 11, 2016, the Company issued 2,542,500 warrants, at an exercise price of \$0.10 per share for a period of 24 months, in conjunction with the non-brokered private placement, as disclosed in Note 18(c)(iv). The grant date fair value of the 2,542,500 warrants was estimated to be \$76,597 using the Black-Scholes option pricing model.

On June 7, 2016, the Company issued 2,805,000 warrants, at an exercise price of \$0.10 per share for a period of 24 months, in conjunction with the non-brokered private placement, as disclosed in Note 18(c)(v). The grant date fair value of the 2,805,000 warrants was estimated to be \$55,655 using the Black-Scholes option pricing model.

On September 13, 2016, the Company issued 3,125,000 warrants, at an exercise price of \$0.20 per share for a period of 24 months, in conjunction with the non-brokered private placement, as disclosed in Note 18(c)(vi). The grant date fair value of the 3,125,000 warrants was estimated to be \$122,920 using the Black-

## **SAGE GOLD INC.**

Notes to the Consolidated Financial Statements

For the 15 Month Period Ended December 31, 2017 and the Year Ended September 30, 2016

(Expressed in Canadian Dollars)

### **19. WARRANTS (continued)**

Scholes option pricing model.

#### **2017 Warrant Issuances**

On November 17, 2016, the Company issued 10,700,000 warrants, at an exercise price of \$0.1575 per share for a period of 36 months, in conjunction with the non-brokered private placement, as disclosed in Note 18(c)(vii). The grant date fair value of the 10,700,000 warrants was estimated to be \$332,743 using the Black-Scholes option pricing model.

On December 22, 2016, the Company issued 4,662,877 warrants and 125,295 finders' warrants, at an exercise price of \$0.24 per share for a period of 24 months, in conjunction with the non-brokered private placement, as disclosed in Note 18(c)(viii). The grant date fair value of the 4,662,877 warrants and 125,295 finders' warrants was estimated to be \$136,003 and \$3,654, respectively using the Black-Scholes option pricing model.

On June 23, 2017, the Company issued 378,934 finders' warrants, at an exercise price of \$0.30 per share for a period of 36 months, in conjunction with the non-brokered private placement, as disclosed in Note 18(c)(ix). The grant date fair value of the 378,934 finders' warrants was estimated to be \$49,405 using the Black-Scholes option pricing model.

On October 23, 2017, the Company issued 1,364,500 warrants and 56,850 finders' warrants, at an exercise price of \$0.32 per share for a period of 24 months, in conjunction with the non-brokered private placement, as disclosed in Note 18(c)(x). The grant date fair value of the 1,364,500 warrants and 56,850 finders' warrants was estimated to be \$98,882 and \$4,125, respectively using the Black-Scholes option pricing model.

On October 31, 2017, the Company issued 798,750 warrants and 79,875 finders' warrants, at an exercise price of \$0.32 per share for a period of 24 months, in conjunction with the non-brokered private placement, as disclosed in Note 18(c)(x). The grant date fair value of the 798,750 warrants and 79,875 finders' warrants was estimated to be \$57,837 and \$5,790, respectively using the Black-Scholes option pricing model.

On November 14, 2017, the Company issued 401,150 warrants and 12,250 finders' warrants, at an exercise price of \$0.32 per share for a period of 24 months, in conjunction with the non-brokered private placement, as disclosed in Note 18(c)(x). The grant date fair value of the 401,150 warrants and 12,250 finders' warrants was estimated to be \$29,068 and \$889, respectively using the Black-Scholes option pricing model.

On December 1, 2017, the Company issued 1,136,363 warrants and 113,635 finders' warrants, at an exercise price of \$0.32 per share for a period of 24 months, in conjunction with the non-brokered private placement, as disclosed in Note 18(c)(x). The grant date fair value of the 1,136,363 warrants and 113,635 finders' warrants was estimated to be \$82,391 and \$8,250, respectively using the Black-Scholes option pricing model.

On December 13, 2017, the Company issued 550,000 warrants, at an exercise price of \$0.32 per share for a period of 24 months, in conjunction with the non-brokered private placement, as disclosed in Note 18(c)(x). The grant date fair value of the 550,000 warrants was estimated to be \$39,869 using the Black-Scholes option pricing model.

## SAGE GOLD INC.

Notes to the Consolidated Financial Statements

For the 15 Month Period Ended December 31, 2017 and the Year Ended September 30, 2016  
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### 19. WARRANTS (continued)

The following table shows the number of warrants outstanding at the end of the period:

Issue Date	Black-Scholes		Expiry Date	Number of Warrants
	Grant Date Fair Value	Exercise Price		
May 11, 2016	\$ 72,078	\$0.10	May 11, 2018	2,392,500
June 7, 2016	39,385	\$0.10	June 7, 2018	1,985,000
September 13, 2016	122,920	\$0.20	September 13, 2018	3,125,000
December 3, 2015	21,938	\$0.10	December 3, 2018	940,000
December 22, 2016	139,657	\$0.24	December 22, 2018	4,788,172
February 27, 2014	84,466	\$0.75	February 27, 2019	400,000
October 23, 2017	103,007	\$0.32	October 23, 2019	1,421,350
October 31, 2017	63,627	\$0.32	October 31, 2019	878,625
November 14, 2017	29,957	\$0.32	November 14, 2019	413,400
November 17, 2016	332,743	\$0.1575	November 17, 2019	10,700,000
December 1, 2017	90,641	\$0.32	December 1, 2019	1,249,998
December 13, 2017	39,869	\$0.32	December 13, 2019	550,000
December 30, 2015	26,054	\$0.10	December 30, 2019	974,050
June 23, 2017	49,405	\$0.30	June 23, 2020	378,934
Special warrants	1,215,747	\$0.20		30,197,029
November 17, 2016	-	\$0.1575		7,800,000
	<b>\$ 1,215,747</b>			<b>37,997,029</b>

In fiscal 2017, 1,485,950 warrants at \$0.10 per share were exercised for proceeds of \$148,595. The aggregate fair value of \$33,942 was moved from warrant reserve to share capital.

#### Special Warrants

On November 17, 2016 as part of the CRH financing, the Company issued 7,800,000 special warrants in exchange for gross proceeds of \$780,000. The special warrants are exercisable only to the extent that when exercised, CRH's share ownership in the Company remains below 19.9% subsequent to the exercise. When exercised, each special warrant entitles the holder to receive one unit in the Company for no additional consideration. Each unit is comprised of one common share and one common share purchase warrant exercisable at \$0.1575 per share for period of 36 months from November 17, 2016. As such the warrant component of the underlying unit may expire, however there is no expiry date on the ability to exercise the special warrant for the common share component of the underlying unit.

See Note 28 for details of warrant exercise and expiry subsequent to December 31, 2017.

### 20. STOCK OPTIONS

The Company has an incentive stock option plan (the "Plan") for its directors, officers, employees and consultants. The maximum number of common shares reserved for issuance upon the exercise of options is not to exceed 10% of the total number of common shares outstanding immediately prior to such an issuance. The exercise price of each option is fixed by the board of directors and shall not be less than the

## SAGE GOLD INC.

Notes to the Consolidated Financial Statements

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### 20. STOCK OPTIONS (continued)

minimum prescribed amount under the TSX-V. The options can be granted for a maximum term of 5 years with vesting provisions determined by the board of directors.

The continuity of incentive stock options issued and outstanding is as follows:

	Number of Stock Options	Weighted Average Exercise Price
Balance, September 30, 2015	441,707	\$ 2.10
Expired/Forfeited	(120,328)	\$ 3.21
Balance, September 30, 2016	321,379	\$ 1.68
Granted	5,450,000	\$ 0.25
Expired	(321,379)	\$ 1.68
Forfeited	(300,000)	\$ 0.25
<b>Balance, December 31, 2017</b>	<b>5,150,000</b>	<b>\$ 0.25</b>

On April 20, 2017, stock options to purchase up to 4,950,000 common shares of the Company at an exercise price of \$0.25 per share until April 20, 2022, were granted to directors, officers and consultants of the Company. The options vest one-third after each of the first, second and third anniversaries of the grant date and have a grant date fair value of \$0.13 per option.

On November 10, 2017, stock options to purchase up to 500,000 common shares of the Company at an exercise price of \$0.25 per share until November 10, 2022, were granted to an officer of the Company. The options vested immediately and have a grant date fair value of \$0.13 per option.

As at December 31, 2017, the following options were outstanding and vested:

Grant Date	Exercise Price	Number of Options Outstanding	Number of Options Exercisable	Black Scholes Fair Value	Weighted Average Remaining Contractual Life (Years)	Expiry Date
April 20, 2017	\$0.25	4,600,000	-	\$ 258,043	4.32	April 20, 2022
November 10, 2017	\$0.25	500,000	500,000	65,400	4.89	November 10, 2022
	<b>\$0.25</b>	<b>5,150,000</b>	<b>500,000</b>	<b>\$ 323,443</b>	<b>4.36</b>	

The fair value of each option is estimated on the date of grant using the Black-Scholes option pricing model. For the year ended December 31, 2017, the Company recognized share-based compensation expense of \$323,443 (September 30, 2016 - \$Nil). The weighted average grant date fair value per option of the stock options granted during the year ended December 31, 2017 is \$0.13. No stock options were granted during the year ended September 30, 2016.

## SAGE GOLD INC.

Notes to the Consolidated Financial Statements

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### 20. STOCK OPTIONS (continued)

The fair values of the options granted were estimated at the grant date using the Black-Scholes option pricing model with the following assumptions:

Grant Date	Risk-free Interest Rate	Expected Stock Price Volatility	Expected Life (in years)	Expected Dividend Rate
April 20, 2017	1.03%	100%	5	0%
November 10, 2017	1.68%	100%	5	0%

### 21. GENERAL AND ADMINISTRATIVE EXPENSES

	15 Months Ended December 31, 2017	Year Ended September 30, 2016
Professional fees	\$ 192,332	\$ 88,004
Consulting fees	289,997	-
Salaries and benefits	157,728	100,213
Management fees	577,722	292,857
Office costs	154,744	86,763
Capital market consulting fees	448,807	43,399
Investor relations	229,530	72,654
Directors' fees	119,217	91,250
Listing and filing fees	80,889	28,245
Shareholder costs	10,303	-
Insurance	21,331	23,415
Travel	159,972	19,258
Flow-Through tax penalty	2,581	825
	\$ 2,445,153	\$ 846,883

### 22. SUPPLEMENTAL CASH FLOW INFORMATION

Supplemental information to the statements of cash flows is as follows:

	15 Months Ended December 31, 2017	Year Ended September 30, 2016
Finders' warrants issued in private placements – fair value	\$ 72,113	\$ 8,062
Exercise of warrants – fair value	\$ 33,942	\$ -
Change in accrued mineral property costs	\$ -	\$ 21,000
Finders' shares issued – fair value	\$ 23,911	\$ 22,825
Common shares issued to settle debts	\$ 197,309	\$ 250,954
Equipment acquired financed through finance lease	\$ 760,338	\$ -

## SAGE GOLD INC.

Notes to the Consolidated Financial Statements

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(Expressed in Canadian Dollars)

### 23. SEGMENTED INFORMATION

The Company manages its business under a single operating segment, consisting of the acquisition, exploration and development of mineral properties in Canada. All of the Company's assets are attributable to this single operating segment. The operating segment is reported in a manner consistent with the internal reporting provided to the Chief Executive Officer ("CEO") who fulfills the role of the chief operating decision-maker. The CEO is responsible for allocating resources and assessing performance of the Company's operating segment. The chief operating decision-maker organizes and manages the business under a single operating segment, consisting of the acquisition, exploration and development of mineral properties and management activities directly relating to the acquisition, exploration and development of mineral properties.

### 24. RELATED PARTY TRANSACTIONS

Related parties include the Board of Directors, senior management, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. Related party transactions conducted in the normal course of operations are measured at fair value.

Transactions with related parties during the 15 month period ended December 31, 2017 and the year ended September 30, 2016 are as follows:

	15 Months Ended December 31, 2017	Year Ended September 30, 2016
Share based payments to officers	\$ 139,086	\$ -
Share based payments to directors	\$ 88,789	\$ -
Fees charged by officers	\$ 577,722	\$ 292,857
Directors' fees	\$ 119,217	\$ 91,250

During the period ended December 31, 2017, fees of \$9,815.31 (year ended September 30, 2016 - \$23,850) were invoiced by directors and officers of the Company, and corporations controlled by these directors and officers of the Company relating to reimbursements and consulting services.

During the period ended December 31, 2017, the Company issued nil (year ended September 30, 2016 - 1,959,572 (Note 18(d)(i)) common shares as settlement of accounts payable to certain directors, officers and corporations controlled by these directors and officers.

#### Amounts due to/from related parties

Included in accounts payable and accrued liabilities is \$621,753 (2016 - \$332,079) due to directors and officers of the Company, and corporations controlled by directors and officers of the Company relating to reimbursements, director fees, and consulting services. These amounts are unsecured, non-interest bearing and are repayable on demand.

The Company has an unsecured promissory note payable to a shareholder of the Company of \$1,393,426 as at December 31, 2017 (September 30, 2016 - \$1,200,048). (See Note 16). Subsequent the December 31, 2017, the unsecured promissory note was increased and amended on March 12, 2018 and on January 5, 2018 this shareholder exercised warrants to purchase 330,000 common shares of the Company at \$0.10 per share for gross proceeds of \$33,000 (see Note 27).

## **SAGE GOLD INC.**

Notes to the Consolidated Financial Statements

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### **24. RELATED PARTY TRANSACTIONS (continued)**

#### **Private placement participation**

(i) In the December 3, 2015 private placement (Note 18(c)(ii)), insiders of the Company subscribed for 400,000 units for gross proceeds of \$20,000. \$10,000 of the proceeds was used to repay debt outstanding.

(ii) In the December 30, 2015 private placement, (Note 18(c)(iii)), insiders of the Company subscribed for 460,000 units for gross proceeds of \$13,000.

(iii) In the May 11, 2016 private placement, (Note 18(c)(iv)), insiders of the Company subscribed for 2,325,000 F-T units for gross proceeds of \$116,250. \$50,000 of the proceeds was used to repay debt outstanding.

(iv) In the June 7, 2016 private placement, (Note 18(c)(v)), insiders of the Company subscribed for 100,000 units for gross proceeds of \$5,000.

(v) In the September 13, 2016 private placement (Note 18(c)(vi)), insiders of the Company subscribed for 270,000 F-T units for gross proceeds of \$27,000.

(vi) In the December 22, 2016 private placement (Note 18(c)(viii)), an insider of the Company subscribed for 214,286 F-T units for gross proceeds of \$30,000.

(vii) In the November 14, 2017, private placement (Note 18(c)(x)) an insider of the Company purchased 230,000 F-T units for gross proceeds of \$50,600.

#### **Stock options**

On April 20, 2017, 1,400,000 stock options were granted to management and 1,600,000 granted to directors of the Company and on November 10, 2017, 500,000 stock options were granted to an officer of the Company (see Note 20).

## SAGE GOLD INC.

Notes to the Consolidated Financial Statements

For the 15 Month Period Ended December 31, 2017 and the Year Ended September 30, 2016

(Expressed in Canadian Dollars)

### 25. INCOME TAXES

The following table reconciles the expected income tax recovery at the Canadian Federal and Provincial statutory rate of 26.5% (2016 – 26.50%) to the amounts recognized in the statement of operations:

#### Provision for Income Taxes

Major items causing the Company's effective income tax rate to differ from the combined Canadian federal and provincial statutory rate of 26.5% (2016 - 26.5%) were as follows:

	2017 December 31 \$	2016 September 30 \$
(Loss) before income taxes	(21,562,565)	(1,304,112)
Expected income tax recovery based on statutory rate	(5,714,000)	(345,590)
Adjustment to expected income tax benefit:		
Permanent differences	-	-
Share-based payments	86,000	-
Expenses not deductible for tax purposes	-	-
Effect of change in temporary differences not recognized	5,628,000	256,246
Deferred income tax provision (recovery)	-	(89,344)

#### Deferred Income Taxes

The tax benefit of the following unused tax losses and deductible temporary differences, have not been recognized in the financial statements due to the unpredictability of future earnings:

	2017 December 31 \$	2016 September 30 \$
Exploration and evaluation properties	11,057,232	4,025,760
Non-capital loss carry-forwards	21,363,693	20,530,797
Share issue costs	329,421	113,722
Equipment	1,386,852	99,600
Others	391,106	99,600
Net tax assets (liabilities)	34,528,304	24,869,479

## SAGE GOLD INC.

### Notes to the Consolidated Financial Statements

For the 15 Month Period Ended December 31, 2017 and the Year Ended September 30, 2016

(Expressed in Canadian Dollars)

#### 26. COMMITMENTS

- (i) The Company was required to incur qualifying expenditures of approximately \$247,000 by December 31, 2014 as a result of the flow-through common shares issued during the calendar year ended December 31, 2014. As of December 31, 2014, the Company spent approximately \$86,000 of the required \$247,000. As a result, the Company may be required to indemnify shareholders for income tax liabilities for which the Company will reimburse the shareholder in the form of cash or share consideration. A provision of the estimated reimbursement of \$121,000 has been included in accounts payable and accrued liabilities.
- (ii) The Company was required to incur additional qualifying expenditures of approximately \$225,000 by December 31, 2014 as a result of the flow-through common shares issued. As of December 31, 2014, the Company spent approximately \$65,000 of the required \$2,250,000. As a result, the Company will be subject to income tax liabilities for which the Company will reimburse the shareholder in the form of cash or share consideration. A provision of the estimated reimbursement of \$121,746 has been included in accounts payable and accrued liabilities.
- (iii) The Company is required to incur qualifying expenditures of \$3,808,551 by December 31, 2018 as a result of the flow-through common shares issued in the year 2017 (Note 18.ix-x). As of December 31, 2017, the Company had met approximately \$105,000 of this commitment.
- (iv) The Company has committed to an annual advance royalty payment on Onaman property of \$25,000 (due May 11, 2018).
- (v) The Company is committed under the terms of the CRH financing, to deliver 15% of its future production from the Clavos Mine to a maximum of 26,000 ounces of gold (see Note 17).
- (vi) Contingent Payments to Management  
As at December 31, 2017, the Company was party to certain consulting and employment agreements that contain clauses that require additional total payments of approximately \$0.8 million be made upon the occurrence of a change of control. As a triggering event has not occurred, these contingent amounts have not been reflected in these financial statements.
- (vii) Lease Commitments  
During March 2017, the Company entered into a lease to rent office space for the Company's head office in Toronto. The term of the lease commenced on May 1, 2017 for a period of 36 months and expires on April 30, 2020.

In December 2017, the Company entered into a lease to rent a trailer at its Clavos property in Timmins to serve for mine rescue purposes as required by the Ministry of Labour. The initial term is for a one year period.

<u>Commitments</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Office lease – Toronto	\$32,164	\$33,615	\$ 11,366
Mine rescue trailer - Timmins	\$16,230	\$ -	\$ -

## SAGE GOLD INC.

Notes to the Consolidated Financial Statements

For the 15 Month Period Ended December 31, 2017 and the Year Ended September 30, 2016

(Expressed in Canadian Dollars)

### 27. CLAVOS JOINT VENTURE (“CLAVOS JV”)

On November 17, 2016, the Company completed an equity financing for \$1,850,000 with CRH (see Note 18(c)(vii)). On November 21, 2017, \$1,000,000 of the proceeds was paid to Kirkland Lake to complete the acquisition of the remaining 40% interest in the Clavos JV to own 100% of the Project (see Note 11).

Prior to the purchase of Kirkland Lake’s 40% interest in the Clavos JV, it was considered a joint operation and therefore the Company recognized its share of the assets, liabilities, revenue and expenses. The following table sets out the summarized financial information for the Clavos JV for the periods indicated:

Financial Position, as at	November 21, 2016	September 30, 2016
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 593	\$ 593
HST receivable	3,066	3,066
Other amounts receivable	66,815	66,815
Total current assets	70,474	70,474
Mineral properties – asset retirement obligation	291,146	291,146
<b>Total assets</b>	<b>\$ 361,620</b>	<b>\$ 361,620</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Other current liabilities (including trade payables)	\$ 140,480	\$ 140,480
Total current liabilities	140,480	140,480
Decommissioning liabilities	309,520	309,520
<b>Total liabilities</b>	<b>\$ 450,000</b>	<b>\$ 450,000</b>
	<b>Periods Ended</b>	
	<b>November 21, 2016</b>	<b>September 30, 2016</b>
<b>Net loss for the period</b>	<b>\$ -</b>	<b>\$ 113,167</b>

### 28. SUBSEQUENT EVENTS

#### Warrant exercise

On January 5, 2018, warrants to purchase 330,000 common shares at a price of \$0.10 per share, having an original expiry date of May 11, 2018, were exercised for gross proceeds of \$33,000. The grant date fair value of \$9,942 was moved from warrant reserve to share capital.

#### Share and warrant issuances

On January 15, 2018 the Company closed the first tranche of a non-brokered private placement of 6,397,226 units at \$0.11 per unit for gross proceeds of \$703,695. Each unit consisted of one common share and one common share purchase warrant. The Company also issued 110,225 finders’ warrants to certain eligible finders and paid \$19,400 in finders’ fees in connection with the first tranche of the financing. Each warrant

## SAGE GOLD INC.

Notes to the Consolidated Financial Statements

For the 15 Month Period Ended December 31, 2017 and the Year Ended September 30, 2016

(Expressed in Canadian Dollars)

### 28. SUBSEQUENT EVENTS (continued)

and finders' warrant entitles the holder to purchase one common share at a price of \$0.16 for a period of 24 months until January 15, 2020.

On January 18, 2018 the Company closed the second tranche of a non-brokered private placement of 3,568,181 units at \$0.11 per unit for gross proceeds of \$392,500. Each unit consisted of one common share and one common share purchase warrant. The Company also issued 25,000 finders' warrants to certain eligible finders and paid \$4,400 in finders' fees in connection with the second tranche of the financing. Each warrant and finders' warrant entitles the holder to purchase one common share at a price of \$0.16 for a period of 24 months until January 18, 2020.

On January 26, 2018 the Company closed the third tranche of a non-brokered private placement of 7,298,909 units at \$0.11 per unit for gross proceeds of \$802,880. Each unit consisted of one common share and one common share purchase warrant. The Company also issued 185,446 finders' warrants to certain eligible finders and paid \$32,638 in finders' fees in connection with the third tranche of the financing. Each warrant and finders' warrant entitles the holder to purchase one common share at a price of \$0.16 for a period of 24 months until January 26, 2020.

On February 16, 2018 the Company closed the fourth and final tranche of a non-brokered private placement of 4,187,453 units at \$0.11 per unit for gross proceeds of \$460,620. Each unit consisted of one common share and one common share purchase warrant. No finders' fees or warrants were paid on the fourth tranche of the financing. Each warrant entitles the holder to purchase one common share at a price of \$0.16 for a period of 24 months until February 16, 2020. A corporation controlled by a director of the Company subscribed for 325,454 units in this financing.

On May 28, 2018 the Company closed the initial tranche of a non-brokered private placement of 2,500,000 units at \$0.055 per unit for gross proceeds of \$137,500. Each unit consisted of one common share and one common share purchase warrant. The Company also issued 200,000 finders' warrants to certain eligible finders and paid \$11,000 in finders' fees in connection with the initial tranche of the financing. Each warrant and finders' warrant entitles the holder to purchase one common share at a price of \$0.075 for a period of 24 months until May 28, 2020.

#### Loans payable

On March 12, 2018, the Company borrowed an additional \$400,000 under the shareholder promissory note and capitalized accrued interest of \$145,364 to bring the outstanding principal balance to \$1,823,255. The maturity date was extended from May 9, 2018 to December 12, 2018. See also Note 16.

#### Warrant expiries

On May 11, 2018, warrants to purchase 2,062,500 common shares at a price of \$0.10 per share expired unexercised. The grant date fair value of \$62,136 was moved from warrant reserve to contributed surplus.

On June 7, 2018, warrants to purchase 1,985,000 common shares at a price of \$0.10 per share expired unexercised. The grant date fair value of \$39,385 was moved from warrant reserve to contributed surplus.

#### Gold prepayment agreement

As discussed in Note 17, the Company is party to a gold prepayment agreement with CRH whereby, commencing in January 2018, the Company is required to deliver between 16,100 and 26,000 ounces of gold to CRH. Subsequent to December 31, 2017, the Company was required to deliver approximately 159 ounces

## **SAGE GOLD INC.**

Notes to the Consolidated Financial Statements

For the 15 Month Period Ended December 31, 2017 and the Year Ended September 30, 2016

(Expressed in Canadian Dollars)

### **28. SUBSEQUENT EVENTS** (continued)

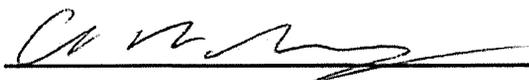
of gold to CRH, being 15% of the 2018 gold production from the Clavos property. The Company has delivered 36 of the 159 ounces to CRH. On May 11, 2018, the Company announced that it had received notice from CRH that it was in default of the GPA for its failure to deliver the additional 123 ounces owing to CRH. Subject to any applicable cure periods, CRH as a secured lender is in a position to terminate the GPA and enforce its security over the Clavos Project.

**EXHIBIT " F "**

*referred to in the Affidavit of*

**ANDREW WEHRLEY**

*Sworn July 10, 2018*

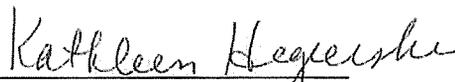


State of New York     )

)     ss.:

County of New York    )

On this 12<sup>th</sup> day of July 2018 A.D. personally came before me, a Notary Public in and for said State duly commissioned and sworn, Andrew Wehrley known to me personally to be such persons who executed such instrument, and acknowledged to me that such instrument was in his own proper handwriting, and that his act of executing and delivering such instrument was duly authorized.



Kathleen Hegierski, Notary  
01HE6155794 (Qualified in New York County)

KATHLEEN HEGIERSKI  
NOTARY PUBLIC-STATE OF NEW YORK  
No. 01HE6155794  
Qualified in New York County  
My Commission Expires November 20, 2018

# **SAGE GOLD**

TSX.V:SGX

**SAGE GOLD INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FIFTEEN MONTH PERIOD ENDED DECEMBER 31, 2017**

Sage Gold Inc.  
Management's Discussion and Analysis  
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Dated – June 14, 2018

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The Company is a reporting issuer under applicable securities legislation in the provinces of British Columbia, Alberta and Ontario and its outstanding Common Shares are listed on the TSX Venture Exchange (the "Exchange") under the symbol "SGX".

During October 2017, the Company changed its fiscal and reporting year-end from September 30 to December 31 to more closely coincide with its industry peers. As such, the following management's discussion and analysis ("MD&A") of the financial condition and results of the operations of Sage Gold Inc. ("Sage", or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the three and fifteen months ended December 31, 2017 ("fifth quarter of 2017"). The comparative periods are for the fiscal quarter ended December 31, 2016 and the year ended September 30, 2016. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited annual consolidated financial statements of the Company for the fifteen month period ended December 31, 2017 and the year ended September 30, 2016 together with the notes thereto ("the financial statements"). Results are reported in Canadian dollars, unless otherwise noted. The financial statements and the financial information contained in this MD&A were prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") and interpretations of the IFRS Interpretations Committee ("IFRIC"). The MD&A is dated June 14, 2018 and is current to that date.

Additional information relating to the Company is available free of charge on the System for Electronic Document Analysis and Retrieval ("SEDAR") website at [www.sedar.com](http://www.sedar.com) or on Sage's website at [www.sagegoldinc.com](http://www.sagegoldinc.com).

## Caution Regarding Forward-Looking Statements

The MD&A contains forward-looking information within Canadian securities laws (collectively "forward looking statements") concerning the anticipated developments in the Company's operations in future periods, its planned exploration activities, the adequacy of its financial resources and other events or conditions that may occur in the future. These statements relate to analyses and other information that are based on forecasts of future results, estimates of amounts not yet determinable and assumptions of management.

Statements concerning mineral reserve and resource estimates may also be deemed to constitute forward-looking statements to the extent that they involve estimates of the mineralization that will be encountered if the property is developed. Any statements that express or involve predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, using words or phrases such as "expects", "anticipates", "plans", "projects", "estimates", "assumes", "intends", "strategy", "goals", "objectives", "potential" or variations thereof, or stating that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date specified in such statement. The following table outlines certain significant forward-looking statements contained in this MD&A and provides the material assumptions used to develop such forward-looking statements and material risk factors that could cause actual results to differ materially from the forward-looking statements.

Please also refer to the Risk Factors outlined in this MD&A concerning the Company's business and assumptions.

**Sage Gold Inc.**  
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<b>Forward-looking statements</b>	<b>Assumptions</b>	<b>Risk factors</b>
Potential of Sage's properties to contain economic deposits of precious and base metals	Financing will be available for future exploration and development of Sage's properties; the actual results of Sage's exploration and development activities will be favourable; operating, exploration and development costs will not exceed Sage's expectations; the Company will be able to retain and attract skilled staff; all requisite regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to Sage, and applicable political and economic conditions are favourable to Sage; the price of precious and base metals and applicable interest and exchange rates will be favourable to Sage; no title disputes exist with respect to the Company's properties	Precious and base metals price volatility; uncertainties involved in interpreting geological data and confirming title to acquired properties; the possibility that future exploration results will not be consistent with Sage's expectations; availability of financing for and actual results of Sage's exploration and development activities; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Company's ability to retain and attract skilled staff
The Company's ability to meet its working capital needs at the current level for the twelve-month period ending December 31, 2018	The operating and exploration activities of the Company for the twelve months ending December 31, 2018, and the costs associated therewith, will be consistent with Sage's current expectations; debt and equity markets, exchange and interest rates and other applicable economic conditions are favourable to Sage; the price of the Company's common shares will recover to prices that will allow the Company to finance.	Changes in debt and equity markets; timing and availability of external financing on acceptable terms; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic conditions; (ability to cure the default under the Gold Prepayment Agreement with Cartesian Royalty Holdings.)
Plans, costs, timing and capital for future exploration and development of Sage's property interests, including the costs and potential impact of complying with existing and proposed laws and regulations	Financing will be available for Sage's exploration and development activities and the results thereof will be favourable; actual operating and exploration costs will be consistent with the Company's current expectations; the Company will be able to retain and attract skilled staff; all applicable regulatory and governmental approvals for exploration projects and other operations will be received on a timely basis upon terms acceptable to Sage; the Company will not be adversely affected by market competition; debt and equity markets, exchange and interest rates and other applicable economic and political conditions are favourable to Sage; the price of precious and base metals will be favourable to Sage; no title disputes exist with respect to Sage's properties	Precious and base metals price volatility, changes in debt and equity markets; timing and availability of external financing on acceptable terms; the uncertainties involved in interpreting geological data and confirming title to acquired properties; the possibility that future exploration results will not be consistent with Sage's expectations; increases in costs; environmental compliance and changes in environmental and other local legislation and regulation; interest rate and exchange rate fluctuations; changes in economic and political conditions; the Company's ability to retain and attract skilled staff
Management's outlook regarding future trends	Financing will be available for Sage's exploration and operating activities; the price of precious and base metals will be favourable to Sage	Precious and base metals price volatility; changes in debt and equity markets; interest rate and exchange rate fluctuations; changes in economic and political conditions
Sensitivity analysis of financial instruments	The future gold price and the U.S. dollar to Canadian dollar exchange rate are favourable to the Company's Gold Prepayment Agreement with CRH. Sage does not have significant exposure to interest rates risks.	Changes in stock markets; changes in debt and equity markets; interest rate and exchange rate fluctuations
Prices and price volatility for precious and base metals	The price of precious and base metals will be favourable; debt and equity markets, interest and exchange rates and other economic	Changes in the spot price of precious and base metals; interest rate and exchange rate fluctuations; changes in economic and political conditions;

	factors which may impact the price of precious and base metals will be favourable	change in the strength or weakness of the U.S. dollar.
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## Company Overview and Background

Sage is primarily engaged in the exploration for and development of gold in Ontario, Canada. Its main properties are the Clavos gold property near Timmins ("Clavos") and the Onaman property ("Onaman"), including the Lynx copper, gold, silver deposit and the Headway zinc, lead, silver, gold occurrences in the Beardmore-Geraldton Gold Camp.

In the fifteen months ended December 31, 2017, the Company has been working to transform from an exploration and development stage company to a gold producing company. In 2010, Sage entered into an option agreement with St. Andrew Goldfields Ltd. ("St. Andrew"), past operator of the Clavos gold mine, to earn a 60% interest in the Clavos Project. St. Andrew had operated the Clavos mine from the beginning of 2006 to mid-2007 before ceasing operations. Sage completed its 60% earn-in and the Clavos Joint Venture ("Clavos JV") was formed with Sage being the operator. In August 2012, Sage entered into a \$1.5 debt facility with Waterton Global Value L.P. ("Waterton") and completed a Mineral Resource estimate on the Clavos Project in compliance with National Instrument 43-101 ("NI 43-101") dated October 12, 2012 and subsequently completed a Preliminary Economic Assessment on the Clavos Project dated April 12, 2013. In order to continue to finance the Company and the Clavos Project, during the period 2014 to 2016, the Company incurred further debt of approximately \$1.2 million in the form of a promissory note with a shareholder. In January 2016, St. Andrew was acquired by Kirkland Lake Gold Ltd. ("Kirkland Lake"). As such, Sage began this fiscal year principally holding a 60% interest in the Clavos JV as operator, with Kirkland Lake as its 40% partner and owing approximately \$3.6 million in loans payable.

## Significant Events

### CRH Financing Package

On September 30, 2016, Sage announced that it had had executed a binding term sheet with Cartesian Royalty Holdings Pte. Ltd. ("CRH") to provide the Company with an \$11.5 million financing package to fund the development and restart of the Clavos Project. The financing package comprised a \$9.65 million gold prepayment investment governed by a Gold Prepayment Agreement ("GPA") and a \$1.85 million equity investment. As a condition of the financing, Sage was required to reach an agreement with Kirkland Lake to acquire the remaining 40% interest in the Clavos JV and arrange for the repayment of the debt facility with Waterton.

### Acquisition of Remaining 40% Interest in Clavos JV and Clavos Project Change of Status

October 25, 2016, Sage announced that it had entered into an agreement with Kirkland Lake to acquire the remaining 40% interest in the Clavos JV for a cash payment of \$1.0 million and a 2% net smelter return ("NSR") royalty. In addition, on October 31, 2016, Sage announced that it had received notification from the Ministry of Northern Mines and Development ("MNDM") Ontario, that it had changed the status of the Clavos Project from "Inactivity" to "Mine Production and Development". The change in project status allowed Sage to begin the process of mine dewatering, mine rehabilitation and to eventually develop and mine a maximum daily tonnage of 700 tonnes per day.

### Signing of Toll Milling Agreement

On November 17, 2016 the Company signed a Toll Milling Agreement with Primero Mining Corp. ("Primero") to process up to 200,000 tonnes of mineralized material per year for a total of 1.1 million tonnes over an estimated 7 year mine life from the Clavos Project at Primero's Black Fox-Stock mill approximately 10 km from the Clavos Project and accessed by a private haul road between the two properties. In October 2017, McEwen Mining Inc. ("McEwen") completed the acquisition of the Black Fox-Stock mill from Primero and is now the operator of the mill. The custom milling agreement is now with McEwen.

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**Closing of Equity Portion of CRH Financing and Completion of Transaction with Kirkland Lake**

Additionally, on November 17, 2016, the Company completed the equity portion of the financing with CRH for proceeds of \$1.85 million and on November 21, 2016, Sage made a payment of \$1.0 million to Kirkland Lake to complete the acquisition of the remaining 40% interest in the Clavos Project.

**Closing of Gold Prepayment Investment Portion of CRH Financing, Repayment of the Waterton Secured Loan and Drawdown of GPA Facility**

On November 25, 2017, the Company drew down the first tranche of the GPA of \$4,390,000, receiving net proceeds of \$1,532,681. Per the conditions of the financing, \$2,433,289 was paid to Waterton to repay the secured loan. \$289,500 was withheld by CRH as an establishment fee and an additional \$134,530 was withheld by CRH for legal fees. The Company drew down the second tranche of the GPA of \$2,000,000 on March 2, 2017 and received the third and final tranche of \$3,260,000 on July 26, 2017. In all, the Company netted \$7.6 million of the \$11.5 million financing package for mine development and working capital after completing the payments required as part of the financing arrangement.

**Hard Dollar Financing**

On December 22, 2016, the Company closed a non-brokered private placement of 9,325,755 units at \$0.11 per unit for gross proceeds of \$1,025,833.

**Flow-Through Financings**

During the 15 month period ended December 31, 2017, the Company raised \$4,236,452 in Flow-Through financings as follows:

- On December 22, 2016, the Company issued 3,056,430 Flow-Through common shares at \$0.14 each for gross proceeds of \$427,900;
- On June 23, 2017, the Company issued 8,075,897 Flow-Through common shares at \$0.24 each for gross proceeds of \$1,938,216; and
- From October 23, 2017 to December 13, 2107, the Company sold 8,501,527 Flow-Through units at \$0.22 per unit for total gross proceeds of \$1,870,336

Flow-Through funds are to be spent on Canadian Exploration Expenses ("CEE").

(see Liquidity and Capital Resources section for further details of all financings).

**New Director and Stock Option Grant**

On April 20, 2017, the Company announced the Thomas Puppenthal had been appointed to the board of directors as a nominee of CRH, pursuant to its nomination right under the GPA. In addition, on April 20, 2017, the Company granted 4.95 million stock options to directors, management and consultants at \$0.25 per share for a period of 5 years.

## **Significant Events Subsequent to December 31, 2017**

**Hard Dollar Financings**

Subsequent to December 31, 2017, the Company raised \$2,497,195 in financings as follows:

- On January 15, 2018, the Company sold 6,397,226 units at \$0.11 per unit for gross proceeds of \$703,695;
- On January 18, 2018, the Company sold 3,568,181 units at \$0.11 per unit for gross proceeds of \$392,500;
- On January 26, 2018, the Company sold 7,298,909 units at \$0.11 per unit for gross proceeds of \$802,880;
- On February 16, 2018, the Company sold 4,187,453 units at \$0.11 per unit for gross proceeds of \$460,620; and
- On May 28, 2018, the Company sold 2,500,000 units at \$0.055 per unit for gross proceeds of \$137,500.

#### **Loans Payable and Warrant Exercise**

On March 12, 2018, the Company borrowed an additional \$400,000 under the outstanding shareholder promissory note and capitalized accrued interest of \$145,364 to bring the outstanding principal balance to \$1,823,255. The maturity date of the note was also extended from May 9, 2018 to December 12, 2018. In addition, on January 5, 2018, the Company received proceeds of \$33,000 from this shareholder through the exercise of 330,000 warrants to purchase common shares at \$0.10 per share.

#### **Notice of Default in Respect of Gold prepayment agreement**

On May 11, 2018, the Company announced that it had received a Notice of Default from CRH pursuant to the GPA for failure to deliver Refined Gold of approximately 123 ounces from gold produced from bulk sample mill runs of Clavos mineralized material in 2018. In addition, under the terms of the GPA, the Company was supposed to have achieved "Commercial Production", as such term is defined within the GPA, by May 17, 2018. Failure to meet this target also constitutes an Event of Default under the terms of the GPA. Subject to any applicable cure periods, CRH as secured lender is in a position to terminate the GPA and enforce its security over the Clavos Project. The Company continues to engage in discussions with CRH in an attempt to remedy the Events of Default. There can be no assurance that these discussions will be successful or that the Company will be able to remedy the Events of Default to satisfy CRH to forbear from creditor remedies in the interim.

#### **Current Status of Clavos Project**

As previously announced, the Company is in the process of updating a Mineral Resource estimate and life-of-mine plan for the Clavos Project. The Company and all of its stakeholders will be best served by the successful implementation of this updated plan. As such, the Company has decided to implement significant cost reduction measures at Clavos while the Company completes this vital exercise of updating its Mineral Resource estimate and life-of-mine plan. The Company has gained significant insight into the Clavos deposit through its bulk sample mining to date. The Clavos deposit is a complex gold deposit with multiple structural controls which affect the extent and tenor of the gold mineralization. The gold mineralization is generally associated with intrusive bodies and thus the presence and extent of the intrusive bodies has a direct impact on the presence and extent of the gold mineralization. The Company has now modelled both the vein structures and all of the lithological units, data which was not available in the previous estimate of the Mineral Resource. The new Mineral Resource estimate will incorporate new vein systems discovered through the current modeling and will better constrain the existing vein systems. This data when coupled with additional definition drilling should result in more focused mining activities with higher grades and less dilution. The Company expects to optimize its go forward plans based on this body of new information and expects to continue discussions with potential strategic partners in this regard.

### **Going Concern**

The Company's consolidated financial statements have been presented on the basis that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of the business. In assessing whether or not there are material uncertainties that may lend doubt as to the ability of the Company to continue as a going concern, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. Management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, as described in the following paragraph. The consolidated financial statements do not reflect the adjustments to the carrying values of assets and liabilities and the reported expenses and statement of financial position classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

The Company is still currently in the exploration and development stage however, it is in the process of transitioning to a producer. It is subject to the significant risks and challenges similar to other companies

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in a comparable stage of development. These risks include, but are not limited to, dependence on key individuals, successful development of the Project and successful transition to mining operations, the ability to secure adequate financing to provide the minimum capital required to successfully complete the development of the Company's projects, fund start-up working capital and successfully transition to mining operations in order to continue as a going concern. There is no assurance that these initiatives will be successful and, as a result, these uncertainties may cast significant doubt upon the validity of the going concern assumption.

During the fifteen month period ended December 31, 2017, the Company reported a net loss of \$21,562,565 and has not generated cash flow from operations. As at December 31, 2017, the Company had negative working capital of \$7,351,031. As a result, the Company will require significant additional financing within the short-term in order to meet its liabilities as they come due. In addition, on May 11, 2018, the Company announced that it had received a Notice of Default from CRH pursuant to the GPA for failure to deliver Refined Gold of approximately 123 ounces from gold produced from bulk sample mill runs of Clavos mineralized material in 2018. Subject to any applicable cure periods, CRH as secured lender is in a position to terminate the GPA and enforce its security over the Clavos Project.

As a result of this announcement, the price of the Company's common shares has declined which has significantly increased the risk that the Company will not be able to raise sufficient funds through financing initiatives to meet its financial obligations. As a result of the Company's current financial situation, and given that the Company has yet to complete an update to the estimated Mineral Resources at the Clavos Project and update to the corresponding life-of-mine plan, the Company was required to book a write-down in its December 31, 2017 financial statements against the carrying value of mine development and mineral property expenditures of \$12,275,416.

Please see note 1 to the financial statements for further details and also refer to the Risk Factors outlined in this MD&A concerning the Company's business and assumptions.

## **Review of Properties**

### **Clavos Project – 100% Owned by Sage**

#### **Background, Change in Status and Consolidation of Ownership**

In 2010, Sage optioned the Clavos Property from St. Andrew who had previously invested over \$60 million in the Clavos Project, producing limited quantities of gold between 2005 and 2007. Sage formed a joint venture with St. Andrew in August 2012 and became operator of the Project. As noted above, in November 2016, Sage completed the purchase of the remaining 40% of the Clavos JV from Kirkland Lake, successfully had the status of the Project changed by the MNDM from "Inactivity" to "Mine Production and Development" and signed a custom toll milling agreement in order to process mineralized material from the Clavos Property upon the resumption of mining activities.

#### **Preliminary Economic Assessment**

Having received a financing package from CRH and with an objective of bringing the Clavos Project into commercial production, mine dewatering and rehabilitation work at Clavos commenced in early 2017.

The decision by CRH to fund the Clavos Project was largely based on the results of the the Company's Preliminary Economic Assessment ("PEA") on the Clavos Project dated April 12, 2013. The PEA reported base case pre-tax and post-tax net present value ("NPV") of \$23.2 million and \$12.6 million, respectively, based on an 8% discount rate, a gold price assumption of US\$1,500 per ounce, a U.S. to Canadian dollar exchange rate of \$1 to \$1; and a 600 tonnes-per-day ("tpd") production rate. The Clavos Project is currently permitted for mining activities at a rate of 700 tpd.

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The PEA is preliminary in nature and was prepared incorporating estimated Inferred Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty the results indicated in the PEA will be realized. The PEA is deemed to be reliable +/- 50%. The Company currently plans to complete an updated Mineral Resource estimate and Pre-Feasibility study regarding the Clavos Project. In the event that a production decision is made that is not based on a Pre-Feasibility study of Mineral Reserves demonstrating economic and technical viability prepared in accordance with NI 43-101, readers are cautioned that there is increased uncertainty and higher risk of economic and technical failure associated with such production decisions.

The Preliminary Economic Assessment was prepared by Mr. Robert Ritchie, P.Eng. (Ontario and Manitoba). Mr. Ritchie was an independent qualified person as defined by NI 43-101.

**Mineral Resource Estimate**

The PEA was based on the Company's existing NI 43-101 Mineral Resource estimate for Clavos which was completed by Roscoe Postle Associates dated October 12, 2012 and outlined the following table:

	Tonnes	Grade g/t <sup>(1)</sup> Au	Contained gold (ounces)
Indicated	1,258,400	4.81	194,600
Inferred	796,000	4.70	120,000

Notes:

1. CIM definitions were followed for Mineral Resources.
2. A cut-off grade of 2.75 g/t Au is used for economic evaluations and individual assays have been capped at 60 g/t Au.
3. Mineral Resources are estimated using a long-term gold price of US\$1,600 per ounce and a US\$/C\$ exchange rate of 1:1.
4. A minimum mining width of 1.5m was used.
5. Bulk density is 2.76 tonnes per cubic metre.

The Mineral Resource estimate was prepared by Roscoe Postle Associates Inc. of Toronto, Ontario under the supervision of Chester Moore, P. Eng., Geologist. Mr. Moore is an independent qualified person as defined by NI 43-101.

**Exploration**

Underground exploration and definition drilling was ongoing until December 2017. The exploration drilling was conducted from the 245 mL to test some of the deeper historical Kinross holes and from the 220 mL to test for mineralization close to existing infrastructure above the 300 mL. Six holes were completed from 245mL (see news release December 7, 2017 for results). Additionally, five holes were completed from the 220mL. Underground drilling was being carried out by an independent contractor and the assay samples were analyzed at the Black Fox-Stock Mill by McEwen personnel. An independent certified laboratory is also engaged to provide check analyses for gold and trace element analyses for QA/QC purposes.

**Environmental**

The Company has been active in upgrading its environment management system and has been working closely with the environmental regulators. Despite this, the Company was issued a \$30,000 penalty by the Ministry of the Environment ("MOE") for failure to have a compliant Spill Prevention and Contingency Plan at the Clavos site as at July 31, 2017. The deficiency has been rectified. The penalty, which was accrued in the December 31, 2017 financial statements and was due by May 31, 2018, remains unpaid. The Company completed and submitted an updated Application for an Environmental Compliance Approval for Air and Noise with the MOE. In addition, work is continuing to complete a draft amendment to the mine closure plan for submission to the MNDM.

**Mine Development and Bulk Samples**

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The underground workings were dewatered to the 260mL, representing approximately a 90% stage of completion of dewatering the entire underground infrastructure. In order to access the balance of the underground workings, the Company must bring services below the 200 mL at an estimated cost of approximately \$500,000. Mine rehabilitation work was carried out concurrent with the dewatering of the underground workings. Above the 200mL, underground workings are in good operating condition. The Company experienced operational challenges during mine development and start up. The Company was not connected to the local hydro grid until October 2017. As a result, the project timeline was delayed. In addition, Timmins experienced an extremely cold 2018 winter. As a result, frequent mechanical breakdowns and inability to crush due to extreme cold weather was experienced by the Company's contract crusher.

To date, the Company has taken bulk samples from the following:

- 100 mL West within the Footwall ("FW") and Hanging Wall ("HW") mineralized structures;
- 150 mL East within both the HW and FW between historic mined out blocks;
- 150 mL West which included extending 75 meters further west to facilitate access to the FW zone which was not developed by St. Andrew;
- 175 mL historic St. Andrew longhole stope;
- 175 mL East within both the HW and FW; and
- 200 mL East within the FW structure, including mineralized material left by St. Andrew.

The Company has completed seven bulk sample mill runs to date with the results of the 7<sup>th</sup> pending.

Results from the first six mill runs covering the period October 2017 to April 2018 are summarized as follows:

	October 2017	November 2017	December 2017	January 2018	March 2018	April 2018	Total
Dry tonnes milled	6,058	4,546	3,398	4,270	3,976	6,252	28,501
Recovery (%)	88.43%	78.53	81.50%	82.60%	87.40%	84.92%	84.95%
Grade (g/t Au)	2.76	1.55	1.55	2.13	2.79	3.01	2.39
Ounces produced	475	177	137	241	311	512	1,853

Proceeds received from the sale of gold recovered as part of bulk sample mining activities, is credited against mine development expenditures until commercial production is achieved.

In the three and 15 months ended December 31, 2017, expenditures incurred at Clavos are summarized as follows:

Mine Development Expenditures	Three months ended December 31,		15 months ended December 31, 2017
	2017	2016	
Property, plant and equipment			
Clavos pre-production costs	\$ 3,168,164	\$ -	\$ 9,554,113
Computer equipment	4,248	-	13,266
Office furniture	-	-	4,090
Building and site	850,637	-	1,576,427
Mining equipment	73,680	-	1,267,361
Total expenditures on PP&E	4,096,729	-	12,415,257
Mineral properties – 40% of JV	-	1,000,000	1,000,000
Exploration expenditures	837,464	405,111	1,555,555
Total Clavos expenditures	\$ 4,934,193	\$ 1,405,111	\$ 14,970,812

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The 2013 PEA envisioned initial capital expenditures of approximately \$8.2 million in the first year of operation, including approximately \$2.6 million in mobile mining equipment. As noted above, the Company netted approximately \$7.6 million from the CRH financing before any expenditures on Project working capital, general and administrative expense, exploration expenditures or otherwise. It was therefore the case that the funding from the CRH financing was insufficient to fully execute the capital requirements of the PEA. In addition, with the PEA being deemed reliable +/-50%, there was no margin of error in the event that actual results differed from the PEA to the downside.

Due to the shortfall in financing, rather than purchasing its mobile equipment fleet, the Company was forced to enter into vendor finance lease programs. As at December 31, 2017, \$760,338 remains owing towards the existing mobile equipment.

Clavos pre-production costs include the rehabilitation of the Clavos surface and underground infrastructures, mine dewatering, development activities and costs associated with bulk sample mining, net of proceeds for recovered gold.

Building and site include the construction of new infrastructure. Surface infrastructure upgrades included refurbishment of offices and buildings on site, the reconditioning of the surface haul road to the Black Fox-Stock Mill, the expansion of the base of the fresh air raise, the completion of the new core logging facility and the purchase of a nearby residential property for staff accommodation.

The 2013 PEA envisioned year 2 capital expenditures of \$3.8 million and additional sustaining capital of \$2.5 million. The remaining major projects include the completion of a coarse material bin on surface, construction of a surface backfill plant, construction of an underground substation, construction of an underground water handling system, additional ventilation infrastructure and the purchase of additional mobile equipment. The Company does not currently have the funds necessary to complete any of these projects. As such, completion of remaining mine development and capital purchases is entirely contingent on securing additional funding.

In addition to the need for additional funding to complete required development work, the Company has not completed an updated Mineral Resource estimate or an updated life-of-mine plan. As such, the Company was not able to conduct an impairment analysis of the carrying value of mine development costs based on a discounted cash flow model, as is traditionally done. As a result of the risks and uncertainties faced by the Company associated with market conditions and obtaining additional financing necessary to complete further development of the Clavos Project, management decided to write-off \$10,904,300 of the carrying value of Clavos pre-production costs and a significant portion of the buildings and site infrastructure and a further \$1,371,117 included in mineral properties principally related to the purchase of the 40% interest in the Clavos JV from Kirkland Lake. Once it has been re-established that the Project is technically feasible and commercially viable, supported by an updated Mineral Resource estimate and life-of-mine plan supported by sufficient funding to execute the plan, management will assess the Project's recoverable amount for the purpose of reinstating amounts written off as allowed under IFRS. Until such time, any further mine development expenditures will be expensed as incurred through the statement of operations.

**Current Status of Clavos Project**

As previously noted, the Company is in the process of updating a Mineral Reserve and Resource estimate and life-of-mine plan for the Clavos Project. The Company and all of its stakeholders will be best served by the successful implementation of this updated plan. As such, the Company has decided to implement significant cost reduction measures at Clavos while the Company completes this vital exercise of updating its Mineral Resource estimate and life-of-mine plan. The Company has gained significant insight into the Clavos deposit through its bulk sample mining to date. The Company expects to optimize its go forward plans based on this body of new information and expects to continue discussions with potential strategic partners in this regard.

## Exploration and Evaluation Activities

### Onaman Property – 100% Owned by Sage

Located just over 3 hours driving distance northeast of Thunder Bay, Ontario and accessible on maintained roads year-round, Onaman hosts several base and precious metal occurrences and significant mineralized zones in what may be a Mattabi-type submarine volcanogenic massive sulfide ("VMS") setting. Sage believes the Onaman VMS system is large in scale, long-lived and complex as evidenced by several, related mineralized zones of different ages and metal composition, and several generations of widespread and often intense hydrothermal mineralization.

#### Lynx Project

The Lynx project, forming part of the Onaman property, is a polymetallic copper, gold and silver project. The property hosts an NI 43-101 Mineral Resource estimate dated March 31, 2009 comprised of 1,936,000 tonnes at an average grade of 1.44% Cu, 39.6 g/t Ag and 0.58 g/t Au, containing an estimated 61.3 million pounds of copper, 2.24 million ounces of silver and 33,000 ounces of gold in an Inferred category. The estimate is reported at a cut-off grade of 0.5% copper. In addition to the above-mentioned Mineral Resource estimate, there is an additional open-pit Inferred Mineral Resource estimate of 458,000 tonnes at 2.1% Cu, 45.3g/t Ag, 0.70 g/t Au at 1.0% Cu cut-off. The deposit remains open in both directions and at depth.

In addition to the Lynx project, the Company also has a portfolio of exploration properties in the Northwestern Beardmore-Geraldton Gold Camp in Northern Ontario.

#### Headway Project

Situated roughly 200 meters stratigraphically above Lynx is the Headway deposit, hosting a Historical Resource of 739,400 tonnes averaging 3.15% zinc and 31 g/t Ag. Lead and gold mineralization has also been historically documented. Whereas Headway is hosted mostly in submarine felsic volcanics (tuffs), Lynx is hosted in the underlying mafic flows. The area in between has never been drilled despite mineralization having been documented in isolated outcrops in this low-lying intervening area.

The Grade and tonnage estimates presented above were provided by Goldbrook Ventures Inc. and are historical in nature and were not prepared in accordance with NI 43-101 and have not been verified by a qualified person.

#### Other Zones

Several other mineralized zones have been historically documented across the property, hosting different combinations of base and precious metals (copper-lead-zinc and silver-gold, respectively) in variable proportions. None have been fully drilled. Numerous geophysical conductors have been delineated in previous surveys, as well; all but a few remain untested, to date. Additionally, there is a large sulfide-rich zone sitting atop what appears to be a center of shallow submarine felsic volcanism overprinted by zoned and increasingly intense hydrothermal alteration - the "Big Mac" zone, that has been only superficially mapped and drilled; this zone is over 1 km long on surface.

#### Exploration Expenditures

For the 15 months ended December 31, 2017, the Company incurred \$608,536 in exploration and evaluation expenditures related to Onaman, as compared to \$128,780 incurred during the year ended September 30, 2016. During the three months ended December 31, 2017 and 2016, the Company incurred \$82,915 and \$100,132, respectively in exploration and evaluation expenditures related to Onaman.

#### 2017 Fieldwork

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Recent fieldwork and analyses of historical Sage drill core has identified a new and possibly significant VMS target horizon.

Detailed re-logging of core holes drilled during the Headway drilling campaign (see news release dated April 4, 2017) and those drilled into and below the uppermost Big Mac massive pyrite-pyrrhotite sulfide zone by Sage in 2008, has enabled Sage geologists to reconstruct the complete volcano-sedimentary and alteration history and zonation of the Onaman Volcanic Complex ("OVC") as well as identify a previously unrecognized target area. Centrally located within an emergent felsic volcanic sequence, or "felsic center", an interval of weakly mineralized sulfidic mudstone has been identified, indicative of a period of quiescence between periods of active volcanism within which sulfides were deposited in seafloor muds and partly replaced and altered the underlying felsic volcanic rocks. Intersected at a depth of over 100 meters below the swamp-covered surface, both ground and borehole geophysics will be required in order to define this significant horizon and delineate vectors to where more significant volumes of sulfides may lie.

**Pending Property Acquisition**

On January 18, 2017, Sage announced the signing of an agreement to acquire an important land package (the 'Purchase Agreement') at its Onaman property, located roughly sixty kilometers north of the town of Jellicoe, in northwestern Ontario. The land package, comprising of 43.6 units for a total of 698 hectares, including a combination of both patented and unpatented claims, leased claims and one license of occupation, is to be acquired from Jien Nunavik Mining Exploration Limited ("Jien") upon the fulfilment of certain closing conditions contained in the Purchase Agreement.

The Purchase Agreement includes the following terms:

- The issuance of 1.25 million common shares of Sage to Jien (subject to the approval of the TSX Venture Exchange);
- A \$300,000 exploration expenditure commitment by Sage over five years; and
- The granting of a 2% NSR royalty, with an open-ended option to repurchase half of the royalty for cash of \$500,000.

At present, this agreement has not yet closed owing to the need to release a security lien imposed on the property by the Quebec government.

**Onaman Property – Current Status**

The annual advance royalty payment of \$25,000 due in May 2018 is currently past due and unpaid. Sage is working with the property vendors to pay the advance royalty through a combination of cash and common shares or exclusively with common shares.

**Other Properties**

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The following is a list of the Company's projects and properties:

Ontario	Location	Sage Interest	Hectares
Timmins Gold camp (Clavos)	Timmins Mining District Leases	100%	65
Timmins Gold camp (Clavos)	Timmins Mining District Patents	100%	1540
Timmins Gold camp (Clavos)	Timmins Mining District Unpatented Mining Claims	100%	935
Onaman	Beardmore and Geraldton Mining Claims	100%	3,232
Onaman	Beardmore and Geraldton Leases and Patents	100%	449
Pillars	Beardmore and Geraldton Mining Claims	100%	64
Pillars	Walters Township Mining Lease	100%	72
Pillars	Walters Township Mining Lease	100%	282
Hopkins Purchase	Gzowski Township Mining Patents	100%	137
Hopkins Purchase	Esquega Township Mining Lease	100%	136
Hopkins Purchase	Corbiere Township Mining Lease	100%	41
Clist Lake	Leopard Lake Area Mining Claims	100%	768

Note: The Clavos and Onaman Properties are discussed above.

**Pillars Property**

The annual advance royalty payment of \$25,000 due in January 2018 is currently past due and unpaid. Sage is working with the property vendors to pay the advance royalty through a combination of cash and common shares or exclusively with common shares. In addition, as a result of having previously optioned the property to a third party who allowed the option to lapse, the 2016 advance royalty payment of \$25,000 is also owing to the property vendors. The Company has accrued for this amount in the December 31, 2017 financial statements.

**Hopkins Purchase**

On July 4, 2017, MacDonald Mines Exploration Ltd. ("MacDonald Mines") and Sage announced they had signed a Letter of Intent for MacDonald Mines to purchase Sage's 100% interest in the Soocana Claims, adjacent to the Holdsworth property, in the Esquega and Corbiere Townships of Northern Ontario. The Soocana Claims consist of a contiguous block of 12 claims that cover 437.3 acres. The claims are under a 99-year lease agreement with Josephine Forest Resources Ltd. ("Josephine") that expires on July 31, 2039.

In consideration for the acquisition of the claims, MacDonald Mines is to issue 4,000,000 common shares and 4,000,000 warrants exercisable for three years at \$0.30 to Sage and issue a 1% NSR royalty on the property. Closing is subject to TSX Venture Exchange approval and certain other customary closing conditions. To date, this transaction has not closed pending the approval of Josephine to assign the lease agreement to MacDonald Mines. Recent communication with Josephine indicates that they are now ready to complete the transaction.

**Clist Lake**

The annual advance royalty payment of \$5,000 due in January 2018 is currently past due and is unpaid. Sage is working with the property vendors to pay the advance royalty through a combination of cash and common shares or exclusively with common shares.

## Qualified Persons

The technical content concerning Clavos contained in this MD&A has been reviewed by Messrs. Bob Ritchie, P. Eng., a consulting engineer, and Peter Hubacheck, P. Geo., a consulting geologist, both of whom are qualified persons as defined in NI 43-101. The technical content concerning Onaman contained in this MD&A has been reviewed by Mr. Avrom E. Howard, MSc, P. Geo., a consulting geologist, who is also a qualified person as defined in NI 43-101.

## Selected Annual Information

The following table sets forth selected annual financial information that has been extracted from the Company's audited financial statements, which have been prepared in accordance with IFRS, for the periods noted:

	Period ended December 31, 2017 \$	Year ended September 30, 2016 \$	Year ended September 30, 2015 \$
Total revenue	-	-	-
Loss for the period	21,562,565	1,304,112	1,601,690
Total assets	3,911,244	1,424,040	932,652
Total non-current liabilities	8,781,303	185,712	182,224

The net loss for 2015 was higher than 2016, primarily due to higher general and administrative expenditures related to professional fees and rent and office expenses. The net loss for the 15 month period ended December 31, 2017 was significantly higher than 2016 for a number of reasons. The Company recorded a write-down on its Clavos Project of \$12.3 million, recorded various expenses related to the financing with CRH of \$4.9 million, recorded an increase in exploration and evaluation expenditures of \$2.0 million (\$1.4 million at Clavos, \$0.5 million at Onaman and \$0.1 million on other Canadian properties), recorded an increase in general and administrative expenditures of \$1.6 million and recorded share-based compensation of \$0.3 million. Part of the increase over 2016 with respect to exploration and evaluation and general and administrative expenditures was due to 2017 being a 15 month period compared to 2016 being a 12 month year. The increase in general and administrative expenditures was primarily due to significant increases in consulting fees, capital markets consulting fees, investor relations activities and travel.

Total assets increased from 2015 to 2016, primarily as a result of an increase in cash from financing activities. Total assets increased from 2016 to 2017 as a result from the purchase of mining equipment at the Clavos Project, a significant increase in HST receivable associated with expenditures at the Clavos Project and inventory relating to the net realizable value of ore in process and finished metal as at December 31, 2017 associated with the Clavos Project.

Non-current liabilities for 2015 and 2016 were comprised of 60% of the decommissioning liability for the Clavos Project. The balance at December 31, 2017 included 100% of the decommissioning liability for the Clavos Project following the purchase of the remaining 40% from Kirkland Lake in November 2016 and the long-term portion of the liability associated with the Gold Prepayment Agreement with CRH (see note 17 to the financial statements).

## Off-Balance-Sheet Arrangements

The Company has no off-balance sheet arrangements other than a Gold Supply Agreement with Waterton Global Value L.P. ("Waterton"), whereby Waterton has the option to purchase gold production from the Company's Clavos Project at the lower of the average market price of gold for the 30 trading days immediately prior and the market price of gold on the day immediately prior to the sale, based on the London Bullion Market Association, for up to the greater of 120,000 ounces or the first five years of production.

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## Selected Quarterly Information

A summary of selected information for each of the eight most recent quarters is as follows:

Three months ended	Total revenue	Net Loss	Loss Per Share <sup>(1)</sup>
December 31, 2017	\$-	\$7,601,572	\$0.11
September 30, 2017	\$-	\$4,872,469	\$0.06
June 30, 2017	\$-	\$3,897,384	\$0.06
March 31, 2017	\$-	\$4,448,465	\$0.07
December 31, 2016	\$-	\$742,674	\$0.02
September 30, 2016	\$-	\$453,574	\$0.02
June 30, 2016	\$-	\$409,133	\$0.01
March 31, 2016	\$-	\$154,586	\$0.01

(1) Basic and diluted loss per share.

## Results of Operations

	Three months ended December 31,		15 months ended December 31,	Year ended September 30,
	2017	2016	2017	2016
<b>Operating expenses</b>				
Exploration and evaluation	\$ (137,241)	\$ 539,664	\$ 2,303,703	\$ 248,534
General and administrative	522,457	320,677	2,445,153	846,883
Clavos pre-production	(6,721,031)	-	-	-
Write-down of mining properties	12,275,416	-	12,275,416	25,000
Share-based compensation	199,988	-	323,443	-
Amortization	(49,968)	217	7,029	1,360
Accretion on decommissioning liabilities	2,428	-	2,428	3,488
	6,092,049	860,558	17,357,172	1,125,265
<b>Other items</b>				
Interest and other income and expense	10,392	-	752	-
Finance expense	129,027	66,762	373,482	488,206
Accretion interest on CRH financing	680,080	306,017	2,936,285	-
Establishment fees on CRH financing	71,000	643,710	685,272	-
Mark-to-market loss (gain) on CRH financing	650,044	(1,138,773)	233,332	-
Gain on settlement of accounts payable and accrued liabilities	(8,055)	-	(10,488)	(167,183)
Gain on debt forgiveness	(19,578)	-	(19,578)	(61,694)
Foreign exchange (gain) loss	(4,786)	4,085	(115)	7,282
Bank charges	1,399	315	6,451	1,580
	1,509,523	(117,884)	4,205,393	268,191
<b>Loss before income taxes</b>	7,601,572	742,674	21,562,565	1,393,456
Flow-through share premium recovery	-	-	-	(89,344)
<b>Net loss for the period</b>	<b>\$ 7,601,572</b>	<b>\$ 742,674</b>	<b>\$ 21,562,565</b>	<b>\$ 1,304,112</b>

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**Three months ended December 31, 2017 compared to the three months ended December 31, 2016**

The Company recorded a net loss of \$7,601,572 for the three months ended December 31, 2017 (the "Current Quarter") or \$0.09 per share compared to a net loss of \$742,674 or \$0.02 per share for the three months ended December 31, 2016 (the "Comparative Quarter"). The difference of \$6,858,898 is explained in the following paragraphs.

During the 12 months ended September 30, 2017, the Company had recorded Clavos pre-production expenditures in the statement of operations, as opposed to capitalizing them on the balance sheet. In the current quarter, previous expenditures for the 12 months ended September 30, 2016 were capitalized as mine development, a component of property, plant and equipment. As at December 31, 2017, following the assessment of the carrying value of these assets, the Company recorded a write-down of \$12,275,416 of amounts capitalized (see Notes 10 and 11 in the consolidated financial statements).

General and administrative expenses were \$592,457 during the Current Quarter, an increase of \$271,780 from the Comparative Quarter, primarily due to consulting fees and capital markets consulting and investor relations costs.

Exploration and evaluation costs were \$(137,241) during the Current Quarter, a decrease of \$676,905 from the Comparative Quarter. After receiving funding from the CRH financing in the Comparative Quarter, the Company initiated more extensive exploration activities at Clavos compared to the Current Quarter where the focus had shifted away from exploration and onto development and bulk sample mining.

Share-based compensation costs were \$199,988 during the Current Quarter compared to \$nil in the Comparative Quarter. No stock options were issued during 2016. As such, there was no expense. The expense in the Current Quarter relates to stock options granted during 2017.

Amortization was (\$49,968) during the Current Quarter due to the reversal of amortization of certain mining equipment recorded earlier in the period.

Finance expense was \$129,027 during the Current Quarter compared to \$66,762 during the Comparative Quarter, an increase of \$62,265. The increase relates to interest on finance leases associated with the mobile equipment at the mine site. These leases did not yet exist during the Comparative Quarter.

Accretion interest on the CRH financing was \$608,080 during the Current Quarter compared to \$306,017 during the Comparative Quarter, an increase of \$302,063. The Current Quarter contains a full three months of accretion interest, whereas the Comparative Quarter contains only 1.5 months of accretion interest as the CRH financing was closed November 17, 2016, halfway through the Comparative Quarter.

Establishment fees on the CRH financing are \$643,710 in the Comparative Quarter, as the CRH financing closed on November 17, 2016.

The difference in the mark-to-market amount relating to the CRH financing corresponds to the change in value of the gold prepayment liability during the period. During the Current Quarter, the fair value of the liability increased with the resulting change recorded in net loss while the fair value of the liability decreased in the Comparative Quarter.

Changes in other line items from the Comparative Quarter to Current Quarter are not material.

**15 month ended December 31, 2017 compared to the year ended December 31, 2016**

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The Company recorded a net loss of \$21,562,565 for the 15 month ended December 31, 2017 (the "Current Period") or \$0.31 per share compared to a net loss of \$1,304,112 or \$0.05 per share for the year ended September 30, 2016 (the "Comparative Period"). The difference of \$20,258,453 is explained in the following paragraphs.

Mine development expenditures and expenditures relating to property, plant and equipment for the Clavos Project for the 15 months ended December 31, 2017 were capitalized. As at December 31, 2017, following the assessment of the carrying value of these assets, the Company recorded a write-down of \$12,275,416 of amounts capitalized (see Notes 10 and 11 in the consolidated financial statements).

General and administrative expenses were \$2,445,153 during the Current Period, an increase of \$1,598,270 from the Comparative Period. This is partially due to the fact that there were an extra three months in the current period, due to the change in year end from September 30 to December and primarily due to an increase in consulting fees and capital markets consulting and investor relations costs and travel expenses.

Exploration and evaluation costs were \$2,303,703 during the Current Period, an increase of \$2,055,169 from the Comparative Period. Significant exploration was undertaken at Clavos during the current period including surface and underground drilling. In addition, the Company completed a surface drilling program at its Onaman property.

Share-based compensation costs were \$323,443 during the Current Period compared to \$nil in the Comparative Period. No stock options were issued during 2016. As such, there was no expense. The expense in the Current Period relates to stock options granted during April and November 2017.

Finance expense was \$373,482 during the Current Period compared to \$488,206 during the Comparative Period, a decrease of \$114,724. The Comparative Period amount included interest on the Waterton secured debt and interest on the shareholder promissory note. In November 2016, the Waterton debt was repaid in full. The Current period therefore contains only a nominal amount of interest associated with the Waterton debt but continues to include interest on the shareholder promissory note and in addition, includes interest on finance leases associated with the purchase of mobile equipment at Clavos.

The Company recorded accretion interest on the CRH financing was \$2,936,285, establishment fees of \$685,272 on the CRH financing and a mark-to-market loss of \$233,332 on the CRH gold prepayment facility during the Current Period compared to \$nil during the Comparative Quarter as the CRH financing was entered into during the Current Period.

Gain on settlement of accounts payable and accrued liabilities was \$10,488 during the Current Period through the issuance of 1,407,528 common shares to settle debts of \$207,797 compared to \$167,183 during the Comparative Period through the issuance of 5,019,072 common shares to settle debts of \$418,137.

Gain on debt forgiveness of \$19,578 was recorded during the Current Period compared to \$61,694 during the Comparative Period reflecting amounts owing that were written off.

Changes in other line items from the Comparative Quarter to Current Quarter are not material.

## **Liquidity and Capital Resources**

### **Cash position**

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As at December 31, 2017, the Company had cash and of \$52,221 compared to \$440,711 as at September 30, 2016, or a decrease of \$388,490.

	<b>15 months ended December 31, 2017</b>	<b>Year Ended September 30, 2016</b>
Cash flows from operating activities		
Loss for the period	\$ (21,562,565)	\$ (1,304,112)
Items not affecting cash	15,973,541	159,388
Loss for the period - cash	(5,589,024)	(1,144,724)
Changes in non-cash working capital items	4,489,583	347,432
Net cash flows from operating activities	(1,099,441)	(797,292)
Net cash flows from financing activities	14,139,818	1,270,716
Net cash flows from investing activities	(13,428,867)	(50,000)
Net change in cash during the period	(388,490)	423,424
Cash, beginning of period	440,711	17,287
<b>Cash, end of period</b>	<b>\$ 52,221</b>	<b>\$ 440,711</b>

**Cash Flows for the 15 months ended December 31, 2017 compared to the year ended September 30, 2016**

During the 15 month period ended December 31, 2017 (the "Current Period"), the Company recorded cash expenses of \$5,589,024 and investing activities of \$13,428,867 compared to cash expenses of \$1,144,724 and investing activities of \$50,000 during the year ended September 30, 2016 (the "Comparative Period").

These expenditures were financed by a net change in non-cash working capital of \$4,489,583, cash flows from financing activities of \$14,139,818 and opening cash balances during the Current Period compared to \$347,432 from a net change in non-cash working capital and \$1,270,716 from cash flows from financing activities during the Comparative Period.

**Cash Flows From Operating activities**

**Current Period – 15 months ended December 31, 2017**

Cash expenses during the Current Period were \$5,589,024 and relate primarily to \$2,303,703 in exploration and evaluation, \$2,445,153 in general and administrative costs, \$685,272 in cash establishment fees on the CRH financing and approximately \$379,933 in finance interest costs and bank charges. In addition to cash flows from financing activities, these expenses were financed largely through an increase in accounts payable and accrued liabilities of \$5,182,851, net of increases in HST receivable of \$530,914, inventories of \$268,410 and prepaid expense and deposits of \$55,669.

**Comparative Period – Year ended September 30, 2016**

By comparison, cash expenses during the Comparative Period were \$1,144,724 and relate primarily to \$273,534 in exploration and evaluation and advance royalty payments, \$846,883 in general and administrative costs and most of the remainder on finance charges. In addition to cash flows from financing activities, the expenses were financed to a lesser degree from an increase in accounts payable and accrued liabilities of \$121,304 net of increases in HST receivable of \$4,843 and prepaid expenses and deposits of \$12,000.

**Cash Flows From Financing activities**

The Company received net cash flows from financing activities during the Current Period of \$14,139,818 which were used to fund investing activities and the shortfall in operating activities compared to \$1,270,716

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during the Comparative Period which was predominantly used to fund the shortfall in operating activities and add to cash balances at the end of the period.

**Current Period – 15 months ended December 31, 2017**

As noted in Significant Events, Sage executed a binding term sheet with CRH to provide the Company with an \$11.5 million financing package to fund the development and restart of the Clavos Project. The financing package comprised a \$9.65 million gold prepayment investment and a \$1.85 million equity investment.

On November 17, 2016, CRH invested \$1,850,000 in the Company through the purchase of 10,700,000 units at a price of \$0.10 per unit for gross proceeds of \$1,070,000 and 7,800,000 Special warrant units at a price of \$0.10 per unit for gross proceeds of \$780,000 (see also Note 19 to the December 31, 2017 financial statements). Each unit consists of one common share of the Company and one common share purchase warrant exercisable at a price of \$0.1575 per common share for a period of three years. The Company used \$1,000,000 from this financing to purchase the remaining 40% interest in the Clavos JV from Kirkland Lake.

On November 25, 2017, the Company drew down the first tranche of the GPA of \$4,390,000, receiving net proceeds of \$1,532,681. Per the conditions of the financing, \$2,433,289 was paid to Waterton to repay the secured loan. \$289,500 was withheld by CRH as an establishment fee and an additional \$134,530 was withheld by CRH for legal fees. The Company drew down the second tranche of the GPA of \$2,000,000 on March 2, 2017 and received the third and final tranche of \$3,260,000 on July 26, 2017. In all, the Company netted \$7.6 million of the \$11.5 million financing package for mine development and working capital after completing the payments required as part of the financing arrangement.

In addition to funds received from the CRH financing, net of the repayment of the Waterton secured loan and certain closing costs, the Company raised \$5,562,285 in equity financings during the Current Period, net of share issue costs of \$337,773. Of the gross amount raised, \$1,025,833 related to a hard dollar financing while \$4,236,452 related to Flow-Through financings. The details are as follows:

**Hard Dollar Financings**

On December 22, 2016 the Company closed a non-brokered private placement of 9,325,755 units at \$0.11 per unit for gross proceeds of \$1,025,833. The Company also issued 250,590 Finders' units in connection with the financing. Each unit and Finders' unit consists of one common share and one half (1/2) common share purchase warrant exercisable at \$0.24 for a period of 24 months. In addition, the Company paid \$80,558 of finders' fee in cash in connection with the financing.

**Flow-Through Financings**

On December 22, 2016, the Company also completed the closing of a non-brokered private placement of 3,056,430 F-T common shares at \$0.14 per F-T share for gross proceeds of \$427,900.

On June 23, 2017, the Company closed a non-brokered private placement of 8,075,897 flow-through common shares at \$0.24 per share for gross proceeds of \$1,938,216. In connection with the offering, the Company issued 378,934 compensation warrants to certain eligible finders. Each compensation warrant entitles the holder to purchase one common share at an exercise price of \$0.30 per share for a period of 36 months following the closing date. In addition, the Company paid \$101,944 of cash finders' fees and incurred \$9,691 of other costs in connection with the financing.

On October 23, 2017, the Company closed the first tranche of a non-brokered private placement consisting of 2,729,000 F-T units at \$0.22 per unit for gross proceeds of \$600,380. In connection with this first tranche, the Company paid \$41,989 in finders' fees and issued 56,850 finders' warrants.

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On October 31, 2017, the Company closed the second tranche of a non-brokered private placement consisting of 1,597,500 F-T units at \$0.22 per unit for gross proceeds of \$351,450. In connection with the second tranche, the Company paid \$28,116 in finders' fees and issued 79,875 finders' warrants.

On November 14, 2017, the Company closed the third tranche of a non-brokered private placement consisting of 802,300 F-T units at \$0.22 per unit for gross proceeds of \$176,506. In connection with the third tranche, the Company paid \$8,334 in finders' fees and issued 12,250 finders' warrants.

On December 1, 2017, the Company closed the fourth tranche of a non-brokered private placement consisting of 2,272,727 F-T units at \$0.22 per unit for gross proceeds of \$500,000. In connection with the fourth tranche, the Company paid \$40,000 in finders' fees and issued 113,635 finders' warrants.

On December 13, 2017, the Company closed the fifth and final tranche of a non-brokered private placement consisting of 1,100,000 F-T units at \$0.22 per unit for gross proceeds of \$242,000. In connection with the fifth tranche, the Company paid \$19,000 in finders' fees.

In the case of each tranche, each F-T unit is comprised of one common share of the Company, issued on a flow-through basis, and one-half (½) of one common share purchase warrant. Each whole warrant, including the compensation warrants, entitles its holder to purchase one common share at an exercise price of \$0.32 for a period of 24 months following the closing of the respective tranche.

In addition, 1,485,950 warrants were exercised during the Current Period to purchase common shares of the Company at \$0.10 per share for gross proceeds of \$148,595.

**Comparative Period – Year Ended September 30, 2016**

The Company raised \$1,336,250 in equity financings during the Comparative Period, net of share issue costs of \$65,534. Of the gross amount raised, \$584,750 related to a hard dollar financing while \$751,500 related to Flow-Through financings. The details are as follows:

**Hard Dollar Financings**

On December 3, 2015, the Company closed the first tranche of its non-brokered private placement raising \$40,000 in cash and settled \$10,000 in debt by issuing 1,000,000 units at a price of \$0.05 per unit. Each unit consisted of one common share and one common share purchase warrant. The Company also issued 40,000 Finders' Warrants to eligible finders. Each warrant and Finders' Warrant entitles the holder to purchase one common share at a price of \$0.10 for a period of 36 months until December 3, 2018. In addition, the Company paid \$1,000 of finders' fees in cash.

On May 11, 2016, the Company issued 5,085,000 units at a price of \$0.05 per unit for gross proceeds of \$254,250. Each unit consists of one common share of the Company plus one half (1/2) common share purchase warrant. Each full warrant entitles its holder to purchase one common share at an exercise price of \$0.10 for a period of 24 months until May 11, 2018. In addition, the Company paid \$6,800 of finders' fees in cash.

On June 7, 2016, the Company closed the second and final tranche of its non-brokered private placement of units for gross proceeds of \$280,500 through the issuance of 5,610,000 units at a price of \$0.05 per unit. Each unit consists of one common share of the Company plus one half (1/2) common share purchase warrant. Each full warrant entitles its holder to purchase one common share at an exercise price of \$0.10 for a period of 24 months until June 7, 2018. In addition, the Company paid \$16,200 of finders' fees in cash.

**Flow-Through Financings**

On December 30, 2015, the Company closed the second and final tranche closing of its non-brokered private placement consisting of F-T units. The Company issued 2,530,000 F-T units at a price of \$0.05

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per unit for gross proceeds of \$126,500. Each F-T unit consists of one common share of the Company issued on a flow-through basis and one-half (1/2) of one non-flow-through common share purchase warrant for the Company. The Company issued 125,000 Finders' Warrants to eligible finders. Each whole warrant and Finders' Warrant is exercisable at a price of \$0.10 for a period of 48 months. In addition, the Company paid \$675 of finders' fees in cash.

On September 13, 2016, the Company closed its non-brokered private placement of F-T units for gross proceeds of \$625,000 through the issuance of 6,250,000 F-T units at a price of \$0.10 per F-T unit. Each F-T unit consists of one common share of the Company issued on a flow-through basis and one-half (1/2) of one non-flow-through common share purchase warrant of the Company. Each whole warrant is exercisable at a price of \$0.20 for a period of 24 months. In addition, the Company paid \$20,750 of finders' fees in cash and issued 207,500 common shares to certain eligible finders.

**Cash Flows From Investing Activities**

The Company spent \$13,428,867 on investing activities during the Current Period compared to \$50,000 during the Comparative Period.

**Current Period – 15 months ended December 31, 2017**

During the Current Period, the Company spent \$1,000,000 on the purchase of the remaining 40% of the Clavos JV from Kirkland Lake. In addition, the Company spent \$12,428,867 on property, plant and equipment, principally at the Clavos Project. The expenditures were comprised of \$9,554,113 in mine development costs, \$1,576,427 in site infrastructure and buildings, \$1,267,361 in mobile equipment payments, \$26,877 on computer equipment and \$4,090 on office furniture.

**Comparative Period – Year Ended September 30, 2016**

During the Comparative Period, the Company spent \$50,000 on advance royalties on the Onaman property.

**Contractual Obligations**

The Company's contractual obligations as of December 31, 2017 are as follows:

	<i>Total</i>	<i>Less than one year</i>	<i>1 – 3 years</i>	<i>4 – 5 years</i>	<i>Beyond 5 Years</i>
Accounts payable and accrued liabilities	6,146,091	6,146,091			
Loan payable	1,393,426	1,393,426			
Finance leases	760,338	760,338			
Operating leases	93,375	48,394	44,981		
Commitment to incur eligible Canadian exploration expenditures	4,236,452	4,236,452			
Decommissioning liabilities	311,948				311,948
	12,941,630	12,584,701	44,981		311,914

In addition, the Company is committed to sell a minimum of 16,100 ounces of gold and a maximum of 26,000 ounces of gold to CRH under the GPA commencing from December 27, 2017, representing 15% of the gold production from the Clavos Project. This commitment is expected to be satisfied through the life-of-mine gold production from Clavos.

Subsequent to December 27, 2017, the Company was required to deliver approximately 159 ounces of gold to CRH, being 15% of the 2018 gold production from the Clavos property. The Company has delivered 36 of the 159 ounces to CRH. On May 11, 2018, the Company announced that it had received notice from

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CRH that it was in default of the GPA for its failure to deliver the additional 123 ounces owing to CRH. CRH as a secured lender is in a position to terminate the GPA and enforce its security over the Clavos Project.

The Company anticipates the fulfillment of the above listed contractual obligations (beyond one year) from future gold production from Clavos and/or further financings. At present, the Company's cash balances are insufficient to meet its near term obligations. The Company requires additional financing to meet these obligations. There can be no guarantee that the Company will be successful in raising the funds or completing a strategic transaction that would provide the funds necessary to meet these obligations.

Mining operations are subject to environmental regulations that require companies to reclaim and remediate land disturbed by mining operations. The Company has submitted a closure plan to the appropriate governmental agencies which estimates the nature, extent and costs of reclamation for its Clavos operations. As at December 31, 2017, the Company has recorded a decommissioning liability of \$311,948 with respect to Clavos and placed a deposit of \$310,157 with the environmental regulatory agencies in respect of its reclamation obligation at the Clavos property.

The Company is required to incur Canadian Exploration qualifying expenditures of \$4,236,452 by December 31, 2018 as a result of the flow-through common shares issued in the year 2017 (Note 18.ix-x to the financial statements). As of December 31, 2017, the Company had met approximately \$105,000 of this commitment. The Company does not currently having sufficient funds to meet this obligation and without additional hard dollar financing, will not be able to meet this obligation by the end of 2018.

The Company has committed to an annual advance royalty payment on Onaman property of \$25,000 (due May 11, 2018).

Contingent Payments to Management

As at December 31, 2017, the Company was party to certain consulting and employment agreements that contain clauses that require additional total payments of approximately \$0.8 million be made upon the occurrence of a change of control.

Lease Commitments

During March 2017, the Company entered into a lease to rent office space for the Company's head office in Toronto. The term of the lease commenced on May 1, 2017 for a period of 36 months and expires on April 30, 2020.

In December 2017, the Company entered into a lease to rent a trailer at its Clavos property in Timmins to serve for mine rescue purposes as required by the Ministry of Labour. The initial term is for a one year period.

<u>Commitments</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Office lease – Toronto	\$32,164	\$33,615	\$ 11,366
Mine rescue trailer - Timmins	\$16,230	\$ -	\$ -

These amounts have been included under operating leases in the table above.

## Outlook

Mining is an extremely difficult business which can carry significant risks and offer above average returns. It is always a challenge when a Company seeks to transition from an exploration and development company to a producer. The Company began the 15 month period ended December 31, 2017 with a vision

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to accomplish just that. The Company arranged a significant financing with a private equity metal streaming fund, completed the purchase of the 40% minority interest in its flagship Clavos Project, received a change in status with respect to Clavos from the regulatory authorities reactivating it from inactive status, signing a custom toll milling agreement with a nearby custom mill, thereby securing the Company's ability to process mineralized material from the Clavos Project and keep capital expenditures to a minimum.

Despite these significant accomplishments, the successful restart of the Clavos Project was subject to significant risks (in addition see "Risks and Uncertainties"). The decision to fund the Clavos Project by CRH and the decision to move forward with mine rehabilitation and development was based on a Preliminary Economic Assessment that was accurate to +/- 50%, was based solely on estimated Mineral Resources and not on Reserves and following the payment of various amounts including the Waterton secured loan, the purchase of the remaining interest in the Clavos JV from Kirkland and payment of certain fees to CRH, the Company was not left with sufficient funding to execute the development plans as outlined in the PEA. As such, successful transition from exploration and development to producer hinged on the Company being able to raise additional capital beyond the CRH financing and hoping that the PEA was accurate with no margin for error and no funding for start-up working capital.

Given these factors, the Company ended December 31, 2017 with a small cash balance in the bank and its business financed by an increase in accounts payable. Subsequent to December 31, 2017, the Company raised approximately \$2.5 million in additional financing. The PEA had also suggested that the Company would be cash flow positive very early in the process of restarting the mine. Unfortunately delays with having hydro installed caused the Company to incur additional expenditures and delay the start-up of bulk sample mining activities until closer to the winter. The operations then experienced an extremely cold winter which caused machinery breakdowns and significant operational shortfalls in respect to the Company's contract crusher which negatively affected expected cash flows. As a result, the Company suffered operating losses which were funded through equity financings.

The Company is currently in default of the terms of the GPA with CRH and does not have sufficient funds to meet its immediate obligations. The Company is in the process of examining its alternatives with respect to moving the Clavos Project forward and dealing with its financial obligations. There is a risk that CRH will terminate the GPA and act on its security package.

## **Related Party Transactions**

Related parties include the Board of Directors, senior management, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions. Related party transactions conducted in the normal course of operations are measured at their exchange value. Please also see Note 24 to the financial statements for a list of related party transactions entered into during the 15 months ended December 31, 2017.

Transactions with related parties during the 15 month period ended December 31, 2017 and the year ended September 30, 2016 are as follows:

	15 Months Ended December 31, 2017	Year Ended September 30, 2016
Share based payments to officers	\$ 139,086	\$ -
Share based payments to directors	\$ 88,789	\$ -

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Fees charged by officers	\$ 577,722	\$ 292,857
Directors' fees	\$ 119,217	\$ 91,250

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During the period ended December 31, 2017, fees of \$nil (year ended September 30, 2016 - \$23,850) were invoiced by directors and officers of the Company, and corporations controlled by these directors and officers of the Company relating to reimbursements and consulting services.

During the period ended December 31, 2017, the Company issued nil (year ended September 30, 2016 – 1,959,572 (Note 18(d)(i) to the financial statements) common shares as settlement of accounts payable to certain directors, officers and corporations controlled by these directors and officers.

**Amounts due to/from related parties**

Included in accounts payable and accrued liabilities is \$184,652 (2016 - \$332,079) due to directors and officers of the Company, and corporations controlled by directors and officers of the Company relating to reimbursements, director fees, and consulting services. These amounts are unsecured, non-interest bearing and are repayable on demand.

The Company has an unsecured promissory note payable to a shareholder of the Company of \$1,393,426 as at December 31, 2017 (September 30, 2016 - \$1,200,048). (See Note 16 to the financial statements). Subsequent the December 31, 2017, the unsecured promissory note was increased and amended on March 12, 2018 and on January 5, 2018 this shareholder exercised warrants to purchase 330,000 common shares of the Company at \$0.10 per share for gross proceeds of \$33,000 (see "Subsequent Events").

**Private placement participation**

(i) In the December 3, 2015 private placement (Note 18(c)(ii) to the financial statements), insiders of the Company subscribed for 400,000 units for gross proceeds of \$20,000. \$10,000 of the proceeds was used to repay debt outstanding.

(ii) In the December 30, 2015 private placement, (Note 18(c)(iii) to the financial statements), insiders of the Company subscribed for 460,000 units for gross proceeds of \$13,000.

(iii) In the May 11, 2016 private placement, (Note 18(c)(iv) to the financial statements), insiders of the Company subscribed for 2,325,000 F-T units for gross proceeds of \$116,250. \$50,000 of the proceeds was used to repay debt outstanding.

(iv) In the June 7, 2016 private placement, (Note 18(c)(v) to the financial statements), insiders of the Company subscribed for 100,000 units for gross proceeds of \$5,000.

(v) In the September 13, 2016 private placement (Note 18(c)(vi) to the financial statements), insiders of the Company subscribed for 270,000 F-T units for gross proceeds of \$27,000.

(vi) In the December 22, 2016 private placement (Note 18(c)(viii) to the financial statements), an insider of the Company subscribed for 214,286 F-T units for gross proceeds of \$30,000.

(vii) In the November 14, 2017, private placement (Note 18(c)(x) to the financial statements) an insider of the Company purchased 230,000 F-T units for gross proceeds of \$50,600.

**Stock options**

On April 20, 2017, 1,400,000 stock options were granted to management and 1,600,000 granted to directors of the Company and on November 10, 2017, 500,000 stock options were granted to an officer of the Company (see Note 20 to the financial statements).

Messrs. Nigel Lees and up until recently, Patrick J. Mars, the President and CEO, and Chairman of the Company, respectively are also directors of a public company that is the holder of the Company's unsecured promissory note and a shareholder of the Company (see Note 16 to the financial statements). Mr. Peter Freeman, an independent director of the Company, is also a director of Cabo Drilling Corp., the

underground driller for the Company at Clavos. In addition, Mr. Thomas Puppenthal is a principal officer of CRH.

## **Significant Shareholders**

To the knowledge of the directors and senior officers of the Company, there is no other individual or corporation that beneficially owns or exercises control over common shares of the Company, except that CRH Mezzanine Pte. Ltd. owns and controls 10,700,000 (9.7%) of the common shares as at June 14, 2018. CRH also owns and controls 10,700,000 warrants to purchase common shares at \$0.1575 per share and 7,800,000 Special Warrants on a restricted basis as at the date of this report (see note 19 to the financial statements).

## **Proposed Transactions**

Other than the proposed transactions with Jien as discussed under "Onaman Property" and MacDonald Mines, as discussed under "Other Properties", the Company does not have any material proposed transactions.

## **Changes in Accounting Standards Not Yet Adopted**

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods on or after January 1, 2018 or later periods. Many are not applicable or do not have a significant impact on the Company and have been excluded. The following pronouncements have not yet been adopted and are being evaluated to determine their impact on the Company.

IFRS 9 – Financial Instruments ("IFRS 9"): This standard uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39: Financial Instruments Recognition and Measurement. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9, except that an entity choosing to measure a financial liability at fair value will present the portion of any change in its fair value due to changes in the entity's own credit risk in other comprehensive income, rather than within profit or loss. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company has evaluated that there will be no impact on the financial statements on the adoption of IFRS 9.

IFRS 15 - Revenue from Contracts with Customers ("IFRS 15"): This standard will replace IAS 11: Construction Contracts, IAS 18: Revenue and related interpretations on revenue. IFRS 15 sets out the requirements for recognizing revenue that apply to all contracts with customers, except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments. IFRS 15 uses a control-based approach to recognize revenue, which is a change from the risk and reward approach under the current standard. Revenue is recognized when the customer obtains control of an item of goods or service and thus has the ability to direct the use and obtain the benefits from the goods or service. Companies can elect to use either a full or modified retrospective approach when adopting this standard and it is effective for periods beginning on or after January 1, 2018. The Company has determined that there will be no impact on the financial statements on the adoption of IFRS 15.

IFRS 16 - Leases ("IFRS 16") issued in January 2016, replaces IAS 17, Leases and its associated interpretive guidance. IFRS 16 applies a control model to the identification of leases, distinguishing between a lease and a service contract on the basis of whether the customer controls the asset being leased. For those assets determined to meet the definition of a lease, IFRS 16 introduces significant

changes to the accounting by lessees, introducing a single, on-balance sheet accounting model that is similar to current finance lease accounting, with limited exceptions for short-term leases or leases of low value assets. Lessor accounting remains similar to current accounting practice. IFRS 16 is effective for annual periods beginning on or after January 1, 2019, with early adoption permitted, provided the Company has adopted IFRS 15. The Company is in the process of assessing the impact on the financial statements of this new standard.

## Critical Accounting Estimates

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

### **The valuation of share-based compensation and share purchase warrants**

Management determines costs for share-based payments using market-based valuation techniques. The fair value of the market-based and performance-based non-vested share awards are determined at the date of grant using generally accepted valuation techniques. Assumptions are made and judgment used in applying valuation techniques. These assumptions and judgments include estimating the future volatility of the stock price, expected dividend yield, future employee turnover rates and future employee stock option exercise behaviours and corporate performance. Such judgments and assumptions are inherently uncertain. Changes in these assumptions affect the fair value estimates.

### **Impairment of assets and associated carrying values**

In the determination of carrying values and impairment charges, management looks at the higher of the recoverable amount or fair value less costs to sell in the case of assets and at objective evidence, significant or prolonged decline of fair value on financial assets indicating impairment. These determinations and their individual assumptions require that management make a decision based on the best available information at each reporting date.

### **Capitalization of mineral property acquisition costs**

Management has determined that mineral property acquisition costs incurred during the period have been impaired. In making this judgment, management has assessed various sources of information including but not limited to the geologic and metallurgic information, history of conversion of mineral deposits to proven and probable mineral reserves, scoping and feasibility studies, proximity of operating facilities, operating management expertise and existing permits. See Note 11 to the financial statements for details of capitalized mineral property costs.

### **Impairment of mineral properties and equipment**

While assessing whether any indications of impairment exist for mineral properties, consideration is given to both external and internal sources of information. External sources of information the Company considers includes changes in the market, economic and legal environment in which the Company operates that are not within its control that could affect the recoverable amount of mineral properties. Internal sources of information include the manner in which mineral properties are being used or are expected to be used and indications of expected economic performance of the assets. Estimates include but are not limited to estimates of the discounted future after-tax cash flows expected to be derived from the Company's mineral properties, costs to sell the properties and the appropriate discount rate. Reductions in metal price forecasts, increases in estimated future costs of production, increases in estimated future capital costs, reductions in the amount of recoverable mineral reserves and mineral resources and/or adverse current economics can result in a write-down of the carrying amounts of the Company's mineral properties (see Notes 10 and 11 to the financial statements).

### **Reclamation and decommissioning provisions**

The cost estimates are updated annually during the life of a mine to reflect known developments, (e.g. revisions to cost estimates and to the estimated lives of operations), and are subject to review at regular

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intervals. Decommissioning, restoration and similar liabilities are estimated based on the Company's interpretation of current regulatory requirements, constructive obligations and are measured at fair value. Fair value is determined based on the net present value of estimated future cash expenditures for the settlement of decommissioning, restoration or similar liabilities that may occur upon decommissioning of the mine. Such estimates are subject to changes in laws and regulations and negotiations with regulatory authorities.

**Gold prepayment agreement**

Judgement is required in assessing the appropriate accounting treatment of the gold prepayment agreement on the closing date and in future periods. Management considers the specific terms of the agreement. This assessment considers what the counterparty is entitled to and the associated risks and rewards attributable to them over the life of the operation, including contractual terms related to the total production over the life of the arrangement as compared to the expected production over the life of the mine, the percentage being sold and percentage of payable metals produced.

For the gold prepayment agreement entered into during the 15 month period ended December 31, 2017, the counterparty has the option to receive payment in cash rather than refined gold. Accordingly, management considers this arrangement a derivative liability.

The valuation of the derivative in this arrangement is an area of estimation and is determined using discounted cash flow models. These models require a variety of inputs, including, but not limited to, contractual terms, market prices, forward curve prices, mine plans and discount rates. Changes in these assumptions could affect the carrying value of derivative assets or liabilities and the amount of gains or losses recognized in net loss.

As at December 31, 2017, the Company's gold prepayment commitment is anticipated to be 20,155 ounces of gold over the expected life of the instrument and has been estimated using the existing preliminary economic assessment prepared in 2013. The Company is in the process of completing an updated Mineral Resource estimate and updated life-of-mine plan but these updates were not available at the time the financial statements were approved for issue.

**Income, value added, withholding and other taxes**

The Company is subject to income, value added, withholding and other taxes, including taxes related to flow-through expenditure renunciations. Significant judgment is required in determining the Company's provisions for taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Company recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due.

The determination of the Company's income, value added, withholding and other tax liabilities requires interpretation of complex laws and regulations. The Company's interpretation of taxation law as applied to transactions and activities may not coincide with the interpretation of the tax authorities. All tax related filings are subject to government audit and potential reassessment subsequent to the financial statement reporting date. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the tax related accruals and deferred income tax provisions in the period in which such determination is made.

**Critical accounting judgments**

- The Company's assumption of the completeness of restoration, rehabilitation and environmental provision, based on the facts and circumstances that existed during the period;
- The assumptions used for determining the amount and timing of gold production in the life of mine plan for the purposes calculating the fair value of the gold prepayment stream with CRH;
- The assumptions used for determining the amount of flow-through share liability, deferred income taxes provisions and deferred income tax assets and liabilities including future income tax rate and recoverability; and

- Going concern presentation of the consolidated financial statements which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

## FINANCIAL RISK MANAGEMENT

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk, including interest rate, foreign exchange rate and equity and commodity price risk. Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the board of directors. The board of directors also provides regular guidance for overall risk management.

### Credit Risk

Credit risk is the risk of potential loss to the Company if the counterparty to a financial instrument fails to fulfill its contractual payment obligations. The Company's credit risk is primarily attributable to cash, short-term investments, HST receivable and reclamation deposit. The Company has no significant concentration of credit risk arising from operations. Cash and short-term investments are held with reputable financial institutions, from which management believes the risk of loss to be remote. HST receivable consists of harmonized sales tax due from the Federal Government of Canada. The Company's reclamation deposit is held with the Ontario Ministry of Northern Mines and Development. Management believes the risk of loss to be remote.

### Liquidity Risk

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if the Company's access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or as a result of conditions specific to the Company. As at December 31, 2017, the Company had cash and short-term investments of \$62,221 (September 30, 2016 - \$450,711) to settle current liabilities of \$8,299,855 (September 30, 2016 - \$4,559,024). All of the Company's accounts payable have contractual maturities of 30-45 days or due on demand and are subject to normal trade terms. In order to fund this significant deficiency, the Company requires profitable mining at its Clavos Project and additional debt and/or equity financing. In addition, the Company requires additional funds to fund exploration and ongoing development expenditures and maintain general and administrative expenses over the coming year. Beginning in January 2018, the Company is also obligated to deliver 15% of its gold production from the Clavos Project to CRH in connection with the gold prepayment agreement (see Note 17 to the financial statements). The Company regularly evaluates its cash position to maintain liquidity (see Notes 1 and 5 to the financial statements).

### Market Risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices. The Company does not have a practice of trading derivatives.

### Interest rate risk

The Company has cash balances and no variable interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term certificates of deposit issued by its banking institution. The Company periodically monitors the investments it makes and is satisfied with the credit ratings of its bank. The Company does not use any derivative instrument to reduce its exposure to interest rate risk. As at December 31, 2017, the Company required the use of its cash to fund ongoing working capital requirements and did not have any investments other than the short-term investment required by its bank to collateralize the Company's credit card with the bank.

### Foreign currency risk

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The Company's foreign exchange risk arises from transactions denominated in other currencies. The Company operates exclusively in Canada and its functional and reporting currency is the Canadian dollar. The majority of its expenditures are in Canadian dollars. From time to time there may be minor expenditures denominated in United States dollars, exposing the Company to foreign exchange risk based on fluctuations in the exchange rate between the Canadian and United States dollar. The Company's gold sales from its Clavos Project are denominated in United States dollars.

The Company converts the proceeds from gold sales into Canadian dollars immediately following the receipt of those proceeds. As such, the Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk. As at December 31, 2017, the Company held a balance of \$57 denominated in U.S. dollars (September 30, 2016 – \$nil in U.S. dollars) In addition, CRH may elect to be repaid in United States dollars instead of gold, however since gold is priced in United States dollars and the Company would be holding physical gold, the Company would not be exposed to foreign currency risk. The Company does not use derivative instruments to reduce its exposure to foreign currency risk nor has it entered into foreign exchange contracts to hedge against gains or losses from foreign exchange fluctuations.

**Price risk**

The Company is exposed to price risk with respect to commodity and equity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

**Sensitivity analysis**

Based on management's knowledge of and experience with the financial markets, the Company believes the following movements are "reasonably possible" over a year:

- (i) The Company's short-term investment of \$10,000 is carries a fixed interest rate of 0.5%. As such, the Company is not exposed to interest rate risk.
- (ii) Commodity price risk could affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market for precious metals. As of December 31, 2017, the Company had yet to determine the technical feasibility and economic viability of the Clavos Project and was continuing to mine bulk samples. As a result, commodity price risk is not currently significant. However, fluctuations in the gold price may affect the ability to complete future equity offerings and depending on how it affects the price of the Company's stock, may impact the exercise of stock options and warrants. The Company closely monitors commodity prices of precious metals, individual equity movements, and the stock market to determine the appropriate course of action to be taken by the Company.

**CATEGORIES OF FINANCIAL INSTRUMENTS**

	December 31, 2017	September 30, 2016
Financial assets:		
Loans and receivables		
Current		
Cash	\$ 52,221	\$ 440,711
Short-term investment	\$ 10,000	\$ 10,000
Non-current		
Reclamation deposit	\$ 310,157	\$ 310,645

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Financial liabilities:			
Other financial liabilities			
Current			
Accounts payable and accrued liabilities	\$ 6,146,091	\$	963,240
Finance leases	\$ 760,338	\$	-
Loans payable	\$ 1,393,426	\$	3,595,784
Derivatives - FVTPL			
CRH financing	\$ 12,819,602	\$	-

As at December 31, 2017 and September 30, 2016, the fair value of all of the Company's financial instruments held at amortized cost approximates fair value, due to their short-term nature. Fair value of accounts payable and accrued liabilities and loans payable may be less than the carrying value for some of these instruments given going concern uncertainties described in Note 1 to the financial statements. As at December 31, 2017, the CRH financing was held at fair value and is considered to be Level 3 under the fair value hierarchy. There were no financial instruments held at fair value at September 30, 2016.

**Level 3 hierarchy:**

The following table presents the changes in fair value measurements of financial instruments classified as level 3 within the fair value hierarchy. These financial instruments are measured at fair value utilizing non-observable inputs. The net change in fair value is recognized in profit or loss within mark to market gain (loss).

	December 31, 2017	September 30, 2016
CRH financing derivative liability		
Opening Balance	\$ -	\$ -
Acquired during the period	22,074,383	-
Change in fair value during the period	233,322	-
Ending balance	\$ 23,803,594	\$ -

The valuation technique used is a modified market approach which includes future expected gold production as an unobservable input. As the valuation of derivatives for which market quotations are not readily available are inherently uncertain, the values fluctuate materially within short periods of time and are based on estimates, and determinations of fair value may differ materially from values that would have resulted if a ready market existed for the derivatives.

The value of the CRH Financing derivative liability as at December 31, 2017 was estimated based on the expected future production of gold by the Company. This estimate was made by management based on a preliminary economic assessment. The model is most sensitive to the future expected production of gold (in ounces) by the Company, the expected future price of gold and the expected future exchange rate between United States dollars and Canadian Dollars. As at December 31, 2017 a 5% increase/decrease in any of these inputs while keeping all other inputs constant would result in an increase/decrease in the fair value of the CRH financing derivative liability of \$158,481.

This sensitivity analysis is intended to reflect the uncertainty inherent in the valuation of these investments under current market conditions, and its results cannot be extrapolated due to non-linear effects that changes in valuation assumptions may have on the fair value of the derivative. Furthermore, the analysis does not indicate a probability of such changes occurring and it does not necessarily represent the Company's view of expected future changes in the fair value of the derivative. Any management actions that may be taken to mitigate the inherent risks are not reflected in this analysis.

Refer to Note 17 of the financial statements for further information regarding the carrying value of the CRH financing derivative liability.

## Risk Factors

The Company, and thus the securities of the Company, should be considered a speculative investment due to the high-risk nature of its business which is the acquisition, financing, exploration, development and operation of mining properties, and investors should carefully consider all information relating to the Company. Certain risk factors, including but not limited to those listed below, are related to the mining industry in general while others are specific to Sage. The following risk factors should be given special consideration when evaluating an investment in the Company's securities.

### Exploration and Mining Risks

The Company is engaged in mineral exploration and development activities. Mineral exploration and development involves a high degree of risk and few properties which are explored are ultimately developed into producing mines.

The long-term profitability of the Company's operations will be directly related to the ability of the Company to successfully mine its operations. The Company's success will be affected by a number of factors beyond the Company's control including commodity prices. Mining and mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. Operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of mineral resources, any of which could result in work stoppages, damage to property, and possible environmental damage.

Hazards such as unusual or unexpected formations and other conditions such as formation pressures, fire, power outages, labour disruptions, flooding, explorations, cave-ins, landslides and the inability to obtain suitable machinery, equipment or labour are involved in mineral exploration, development and operation. The Company may become subject to liability for pollution, cave-ins or hazards against which we cannot insure or against which we may elect not to insure. The payment of such liabilities may have a material, adverse effect on the Company's financial position. The Company relies upon consultants and others for exploration and development expertise. Substantial expenditures are required to establish ore reserves through drilling, to develop metallurgical processes to extract the metal from the ore and, in the case of new properties, to develop the mining and processing facilities and infrastructure at any site chosen for mining.

Although substantial benefits may be derived from the discovery of a major mineralized project, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that funds required for development can be obtained on a timely basis. The economics of developing mineral properties is affected by many factors including the cost of operations, variations in the grade of ore mined, fluctuations in metal markets, allowable production, importing and exporting of minerals and environmental protection.

There can be no assurance that the Company will be able to bring Clavos into commercial production and will be able to produce sufficient ounces of gold to satisfy its obligations under the gold prepayment agreement with CRH as and when they become due and the Company may have to purchase gold at prevailing market prices to satisfy its obligations under the agreement. If the Company is unable to repay its obligations under the Agreement, CRH may elect to realize their security.

### Financing Risks

The Company's major assets, consisting of the Clavos property and the Onaman property and the Company's other assets are secured as collateral for the gold prepayment loan. The Company is limited in both financial resources, and sources of operating cash flow and has no assurance that additional funding will be available to support the covenants under the loan or for further exploration and development of the Company's projects or to fulfill the Company's obligations under any applicable agreements. There

can be no assurance that the Company will be able to obtain adequate financing in the future or that the terms of such financing will be favorable. Failure to obtain such additional financing could result in delay or indefinite postponement of further exploration and development of the Company's projects with the possible loss of such properties.

**Regulatory Requirements**

Even if the Company's mineral properties are proven to host economic reserves of mineral resources, factors such as governmental expropriation or regulation may prevent or restrict mining of any such projects or repatriation of profits. The Company may acquire other properties in other jurisdictions or countries. Any changes in regulations or shifts in political conditions are beyond the control of the Company and may adversely affect the Company's business. Operations may be affected in varying degrees by government regulations with respect to restrictions on production, price controls, export controls, income taxes, and expropriation of property, environmental legislation and mine safety.

**Flow-Through Shares**

The Company issues common shares for which the tax attributes flow through to the investor. Proceeds from such issues must be spent on qualifying exploration expenditures as required by the Income Tax Act. Should such expenditure not be made on eligible properties and expenditures, the Company may be liable to account for the adverse tax consequence of such transactions.

**Uninsurable Risks**

In the course of exploration, development and production of mineral properties, certain risks, and in particular, unexpected or unusual geological operating conditions including rock bursts, cave-ins, fires, flooding and earthquakes may occur.

It is not always possible to fully insure against such risks and the Company has currently decided not to take out insurance against such risks as a result of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any future profitability and result in increasing costs and a decline in the value of the securities of the Company.

**No Assurance of Titles**

It is possible that any of the Company's properties may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects.

**Permits and Licenses**

The operations of the Company may require licenses and permits from various governmental authorities. There can be no assurance that such licenses and permits as may be required to carry out exploration, development and mining operations at the Company's projects will be granted.

**Competition**

The mineral industry is intensely competitive in all its phases. The Company competes with many companies possessing greater financial resources and technical facilities than the Company for the acquisition of mineral concessions, claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees. In addition, there is no assurance that a ready market will exist for the sale of commercial quantities of ore. Factors beyond the control of the Company may affect the marketability of any substances discovered. These factors include market fluctuations, the proximity and capacity of natural resource markets and processing equipment, government regulations, including regulations relating to prices, taxes, royalties, land tenure, land use, importing and exporting of minerals and environmental protection. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in the Company not receiving an adequate return on invested capital or losing the Company's investment capital.

**Environmental Regulations**

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The Company's operations may be subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation provides for restrictions and prohibitions on spills, releases or emissions of various substances produced in association with certain mining industry operations, such as seepage from tailings disposal areas, which would result in environmental pollution. A breach of such legislation may result in imposition of fines and penalties. In addition, certain types of operations require the submission and approval of environmental impact assessments. Environmental legislation is evolving in a manner which will require stricter standards and enforcement, increased fines and penalties for noncompliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. The cost of compliance with changes in governmental regulations has a potential to reduce the profitability of operations. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations.

**Stage of Development**

The Company is in the business of exploring with the ultimate goal of producing mineral resources from its properties. None of the properties have commenced commercial production. As a result of the foregoing, there can be no assurance that the Company will be able to develop any of the properties profitably or that the activities will generate positive cash flow.

A prospective investor in the Company must be prepared to rely solely upon the ability, expertise, judgment, discretion, integrity and good faith of management in all aspects of the development and implementation of the Company's business activities.

**Markets for Securities**

There can be no assurance that an active trading market in the securities will be established and sustained. The market price for the securities could be subject to wide fluctuations. Factors such as commodity prices, government regulation, interest rates, share price movements of peer companies and competitors, as well as overall market movements, may have a significant impact on the market price of the securities of the Company. The stock market has from time to time experienced extreme price and volume fluctuations, particularly in the mining sector, which have often been unrelated to the operating performance of particular companies.

**Reliance on Key Individuals**

The Company's success depends to a certain degree upon certain key members of the management. It is expected that these individuals will be a significant factor in the Company's growth and success. The loss of the service of members of the management and certain key employees could have a material adverse effect on the Company.

**Share Capital**

As at the date of this MD&A, the Company had 110,183,926 issued and outstanding common shares. In addition, the Company has 5,150,000 stock options, 7,800,000 special warrants and 50,291,969 warrants outstanding.

Details concerning the outstanding stock options and special warrants can be found in Notes 20 and 19 respectively, to the consolidated financial statements for the 15 month period ended December 31, 2017.

Details concerning the outstanding warrants, including exercises, grants and expiries subsequent to December 31, 2017 can be found in Notes 19 and 28 to the consolidate financial statements for the 15 month period ended December 31, 2017.

## Subsequent Events

### Warrant exercise

On January 5, 2018, warrants to purchase 330,000 common shares at a price of \$0.10 per share, having an original expiry date of May 11, 2018, were exercised for gross proceeds of \$33,000. The fair value of \$9,942 was moved from warrant reserve to share capital.

### Share and warrant issuances

On January 15, 2018 the Company closed the first tranche of a non-brokered private placement of 6,397,226 units at \$0.11 per unit for gross proceeds of \$703,695. Each unit consisted of one common share and one common share purchase warrant. The Company also issued 110,225 finders' warrants to certain eligible finders and paid \$19,400 in finders' fees in connection with the first tranche of the financing. Each warrant and finders' warrant entitles the holder to purchase one common share at a price of \$0.16 for a period of 24 months until January 15, 2020.

On January 18, 2018 the Company closed the second tranche of a non-brokered private placement of 3,568,181 units at \$0.11 per unit for gross proceeds of \$392,500. Each unit consisted of one common share and one common share purchase warrant. The Company also issued 25,000 finders' warrants to certain eligible finders and paid \$4,400 in finders' fees in connection with the second tranche of the financing. Each warrant and finders' warrant entitles the holder to purchase one common share at a price of \$0.16 for a period of 24 months until January 18, 2020.

On January 26, 2018 the Company closed the third tranche of a non-brokered private placement of 7,298,909 units at \$0.11 per unit for gross proceeds of \$802,880. Each unit consisted of one common share and one common share purchase warrant. The Company also issued 185,446 finders' warrants to certain eligible finders and paid \$32,638 in finders' fees in connection with the third tranche of the financing. Each warrant and finders' warrant entitles the holder to purchase one common share at a price of \$0.16 for a period of 24 months until January 26, 2020.

On February 16, 2018 the Company closed the fourth and final tranche of a non-brokered private placement of 4,187,453 units at \$0.11 per unit for gross proceeds of \$460,620. Each unit consisted of one common share and one common share purchase warrant. No finders' fees or warrants were paid on the fourth tranche of the financing. Each warrant entitles the holder to purchase one common share at a price of \$0.16 for a period of 24 months until February 16, 2020. A corporation controlled by a director of the Company subscribed for 325,454 units in this financing.

On May 28, 2018 the Company closed the initial tranche of a non-brokered private placement of 2,500,000 units at \$0.055 per unit for gross proceeds of \$137,500. Each unit consisted of one common share and one common share purchase warrant. The Company also issued 200,000 finders' warrants to certain eligible finders and paid \$11,000 in finders' fees in connection with the initial tranche of the financing. Each warrant and finders' warrant entitles the holder to purchase one common share at a price of \$0.075 for a period of 24 months until May 28, 2020.

### Loans payable

On March 12, 2018, the Company borrowed an additional \$400,000 under the shareholder promissory note and capitalized accrued interest of \$145,364 to bring the outstanding principal balance to \$1,823,255. The maturity date was extended from May 9, 2018 to December 12, 2018. See also Note 16 to the December 31, 2017 consolidated financial statements.

### Warrant expiry

On May 11, 2018, warrants to purchase 2,062,500 common shares at a price of \$0.10 per share expired unexercised. The fair value of \$62,136 was moved from warrant reserve to contributed surplus.

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On June 7, 2018, warrants to purchase 1,985,000 common shares at a price of \$0.10 per share expired unexercised. The fair value of \$39,385 was moved from warrant reserve to contributed surplus.

**Gold prepayment agreement**

As discussed in Note 17 of the December 31, 2017 consolidated financial statements, the Company is party to a gold prepayment agreement with CRH whereby, commencing in January 2018, the Company is required to deliver between 16,100 and 26,000 ounces of gold to CRH. Subsequent to December 31, 2017, the Company was required to deliver approximately 159 ounces of gold to CRH, being 15% of the 2018 gold production from the Clavos property. The Company has delivered 36 of the 159 ounces to CRH. On May 11, 2018, the Company announced that it had received notice from CRH that it was in default of the GPA for its failure to deliver the additional 123 ounces owing to CRH. Subject to any applicable cure periods, CRH as a secured lender is in a position to terminate the GPA and enforce its security over the Clavos Project.

## **Disclosure of Internal Controls**

Management has established processes to provide it with sufficient knowledge to support representations that it has exercised reasonable diligence to ensure that (i) the consolidated financial statements do not contain any incorrect statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the consolidated financial statements, and (ii) the consolidated financial statements fairly present in all material respects the financial condition, results of operations and cash flow of the Company, as of the date of and for the periods presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings ("NI52-109"), the Venture Issuer Basic Certificate filed by the Company does not include representations relating to the establishment and maintenance of disclosure controls and procedures ("DC&P") and internal control over financial reporting ("ICFR"), as defined in NI52-109. In particular, the certifying officers filing such certificate are not making any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's generally accepted accounting principles (IFRS).

The Company's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in such certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost-effective basis DC&P and ICFR as defined in NI52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## **Additional Disclosure for Venture Issuers Without Significant Revenue**

**Exploration and Evaluation Assets or Expenditures**

See Note 11 - "Mineral Properties" and Note 12 - "Exploration and Evaluation Expenditures" in the consolidated financial statements for the 15 month period ended December 31, 2017.

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General and Administration Expenses

See Note 21 – “General and Administrative Expenses” in the consolidated financial statements for the 15 month period ended December 31, 2017.

**Additional Information**

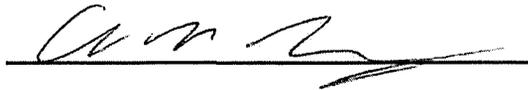
Additional information relating to Sage Gold Inc. is available on SEDAR at [www.sedar.com](http://www.sedar.com) and from the Company's website at [www.sagegoldinc.com](http://www.sagegoldinc.com) or by e-mail at [nlees@sagegoldinc.com](mailto:nlees@sagegoldinc.com) or by contacting:

**Sage Gold Inc.**  
Attention: Nigel Lees, President and CEO  
67 Yonge Street, Suite 808, Toronto, ON, M5E 1J8  
Telephone: 416-204-3170

**EXHIBIT " G "**  
*referred to in the Affidavit of*

**ANDREW WEHRLEY**

*Sworn July 10, 2018*

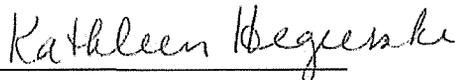


State of New York )

) ss.:

County of New York )

On this 10<sup>th</sup> day of July 2018 A.D. personally came before me, a Notary Public in and for said State duly commissioned and sworn, Andrew Wehrley known to me personally to be such persons who executed such instrument, and acknowledged to me that such instrument was in his own proper handwriting, and that his act of executing and delivering such instrument was duly authorized.



Kathleen Hegierski, Notary  
01HE6155794 (Qualified in New York County)

KATHLEEN HEGIERSKI  
NOTARY PUBLIC-STATE OF NEW YORK  
No. 01HE6155794  
Qualified In New York County  
My Commission Expires November 20, 2018



CARTESIAN *Royalty Holdings*

10 Changi Business Park Central 2, #05-01  
Hansapoint @CBP  
Singapore (486030)

May 3, 2018

Nigel Lees  
Sage Gold Inc.  
67 Yonge Street  
Suite 808  
Toronto, ON M5E 1J8  
Canada  
By email to: nlees@sagegoldinc.com

*Confidential - Without Prejudice*

Dear Nigel,

This letter is written on behalf of CRH Funding II Pte. Ltd. ("CRH").

As you know, Sage Gold Inc. ("Sage") and CRH are parties to a Gold Prepayment Agreement, dated November 17, 2016 (the "GPA"). All capitalized terms used and not otherwise defined herein have the meanings set out in the GPA. All Section references used herein are references to Sections of the GPA.

We hereby notify Sage that an Event of Default has occurred. Specifically, we provide notice that the Event of Default set out in Section 10.1(b) of GPA has occurred because Sage has not fulfilled its gold delivery obligations to CRH. For reference, such Section 10.1(b) specifies that an Event of Default includes the condition that: *"the Seller has failed to deliver Refined Gold in an amount equal to Payable Gold by way of gold credits or as otherwise contemplated by this Agreement to the Purchaser within 5 Business Days from the time that an Offtake Settlement has been reached, other than by reason of an event of Force Majeure"*.

We also provide notice that the Event of Default set out in Section 10.1(c) of GPA has occurred because of the breach of multiple covenants and obligations in the GPA in a respect that is material to such covenant or obligation:

- a) Section 2.2(a): *"Subject to Section 2.2(b), within five Business Days after the date of each Offtaker Settlement on or following the First Delivery Date, the Seller shall deliver to the Purchaser ... Refined Gold in an amount equal to at least Payable Gold in respect of the Lot to which such Offtaker Settlement relates"*
- b) Section 6.4(d): *"Seller shall notify the Purchaser by electronic communication of each delivery of Minerals to an Offtaker no later than five Business Days: (i) after the Minerals leave the Properties or when the Minerals are loaded at a port facility"*
- c) Section 6.4(d): *"Seller shall notify the Purchaser by electronic communication of each delivery of Minerals to an Offtaker no later than five Business Days: ... (ii) after such is available to the Seller, information regarding the Mineral content in the shipment"*
- d) Section 6.4(e): *"With respect to any Offtake Agreements entered into after the First Tranche Closing Date, the Seller shall promptly provide to the Purchaser confirmation of the terms of any"*

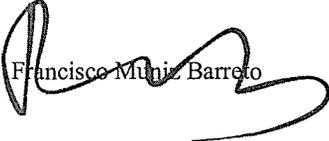
*such Offtake Agreement and, within 15 days after the execution thereof by each of the parties thereto, the Seller shall provide to the Purchaser a final signed copy of such Offtake Agreement and use its commercially reasonable efforts to avoid any requirement for the redaction of any part thereof, failing which, such Offtake Agreement shall be provided subject to the redactions required by any such Offtake Agreements."*

Pursuant to Section 11.1(a)(i), we hereby demand that Sage immediately deliver Refined Gold in an amount equal to Payable Gold by way of gold credits, or such other form as contemplated by the GPA and all other amounts of cash and Refined Gold owing by Sage to CRH. For the avoidance of doubt, the calculation of Payable Gold must take into account all unpaid mill runs and gold pre-sales. Per the GPA, the amount of Payable Gold due to CRH equals 15% of all gold pre-sold or produced by Sage since its last payment to CRH on February 15, 2018; including but not limited to 91.639 ounces of gold, as per our invoice sent to Michael Farrant on April 18, 2018 (copy attached), plus 15% of any other mill runs or pre-sales.

We further demand that Sage immediately send copies of all Offtake Agreements (including sales invoices to Auramet) between Sage and Auramet Trading LLC and McEwen Mining Inc.

For the avoidance of doubt, we reserve all, and do not waive any, rights set out in the GPA and the Documents. This notice is not intended to be treated as a comprehensive or complete list of breaches of the GPA or the Documents. The actions requested in this notice are not intended to be the sole remedies or cures for any breaches of any covenants or obligations.

Sincerely,

  
Francisco Muniz Barreto

cc: James McVicar of Peterson McVicar LLP at [jmcvicar@petelaw.com](mailto:jmcvicar@petelaw.com)



Invoice Date: April 18, 2018

SAGE GOLD INC.  
67 Yonge Street, Suite 808  
Toronto, Ontario, Canada M5E 1J8

Attn: Michael Farrant

<u>DATE</u>	<u>DESCRIPTION</u>	<u>AMOUNT DUE</u>
March 23, 2018	15% of March 2018 mill production of 310.926 troy ounces of gold	Troy Oz 46.639
April 3, 2018	15% of April 2018 mill production gold sale advancement received from Auramet totaling 300 troy ounces of gold	Troy Oz 45.00
<b>TOTAL AMOUNT DUE</b>		<b>Troy Oz 91.639</b>

**Notice:** If the amounts shown here under-estimate the full amount paid to Sage, the 15% of the full amounts paid to Sage are due.

The payment instructions are:

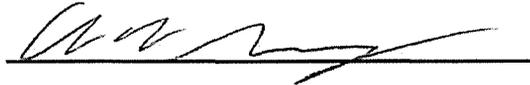
91.64 troy ounces of gold to ICBC Standard Bank f/c INTL FC Stone LTD. B/O CRH Mezzanine

- Beneficiary bank:
  - ICBC Standard Bank PLC
  - 20 Gresham Street, London, EC2V 7JE
- Account info:
  - INTL FC Stone LTD
  - Beneficiary Acct: 250004908
- Swift:
  - SBLG2L
- Reference field:
  - CRH Mezzanine Pte. Ltd.
  - Account: SM0020

**EXHIBIT " H "**  
*referred to in the Affidavit of*

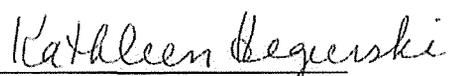
**ANDREW WEHRLEY**

*Sworn July 10, 2018*



State of New York     )  
  )     ss.:  
County of New York    )

On this 10<sup>th</sup> day of July 2018 A.D. personally came before me, a Notary Public in and for said State duly commissioned and sworn, Andrew Wehrley known to me personally to be such persons who executed such instrument, and acknowledged to me that such instrument was in his own proper handwriting, and that his act of executing and delivering such instrument was duly authorized.

  
Kathleen Hegierski, Notary  
01HE6155794 (Qualified in New York County)

KATHLEEN HEGIERSKI  
NOTARY PUBLIC-STATE OF NEW YORK  
No. 01HE6155794  
Qualified in New York County  
My Commission Expires November 20, 2018



67 Yonge Street, Suite 808  
Toronto, ON M5E 1J8  
t: 416-204-3170  
f: 416-860-9349  
[www.sagegoldinc.com](http://www.sagegoldinc.com)

May 7, 2018

Andrew Wehrley  
Francisco Muniz Barreto  
CRH Funding II Pte. Ltd. ("CRH")  
10 Changi Business Park Central 2  
#05-01 HansaPoint  
Singapore 486030

*Confidential – Without Prejudice*

**DELIVERED VIA E-MAIL:**

Dear Andrew and Francisco:

We acknowledge your letter of May 3, 2018, advising Sage Gold Inc. ("Sage" or the "Company") that an Event of Default has occurred pursuant to the Gold Prepayment Agreement dated November 17, 2016 between the Company and CRH Funding II Pte. Ltd. ("CRH"). The Company further acknowledges that 123.436 troy ounces of gold are currently owing to CRH, being 15% of the production from the March and April 2018 mill runs, completed April 2, 2018 and April 27, 2018, respectively. We confirm that we did sell 100% of the gold from these two mill runs, being 822.906 ounces for total proceeds of US\$1,090,607.33. Michael Farrant has sent you all of the paperwork confirming the production and sales amounts. In terms of fulfilling its Continuous Disclosure obligations as a public company, Sage is considering whether receipt of your letter and being in default under the GPA is material for the purpose of making a public disclosure by way of news release. On the face of it, we do not consider the quantum of the amount currently owing to you to be material and to the extent that we are working together in good faith to address a remedy to this and other Events of Default which are looming, such as the requirement to reach Commercial Production (as defined in the GPA) within 18 months of the date of the GPA, being sometime next week, we do not feel that receipt of your letter or being in default of the GPA is material. However, in order to conclude on this determination, we need to understand CRH's intentions with respect to defaults under the GPA after only 18 months and with such a small amount of gold owing to CRH in relation to the total obligation under the GPA.



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Sage previously advised CRH that it could not pay the current stream payments in gold or cash, as it was not generating positive cash flow in excess of that required to simply maintain mining operations at Clavos. The Company did offer to settle the liability in common shares of Sage, however CRH declined this as an acceptable form of payment. Sage management and its Board have been working diligently and in good faith to remedy this situation by raising additional funds while at the same time reaching out to CRH to address the Company's financial situation and Events of Default that have already occurred along with those that are imminent under the GPA. As you know, our Continuous Disclosure obligation to disclose our financial situation is met on an ongoing basis through the filing of our quarterly financial statements and management's discussion and analysis. Such disclosure includes our balance sheet, discussion of our working capital deficit and other debts and a discussion of our liquidity outlook. We believe that the market is fully aware, or should be, of our financial condition. Despite these difficult financial circumstances management and the mining team have continued to operate, overcoming various inefficiencies, including disruptions in equipment availability due to lack of proper maintenance as a result of underfunding.

We acknowledge that CRH has expressed a stated desire to be supportive of the Company and its efforts to continue mining. In this regard, the Company has made a number of proposals to CRH which have been rejected, including (i) to take payment of the amounts owing under the GPA in Sage equity (ii) defer the stream payments by a period of time until Sage becomes cash flow positive and (iii) provide funding for ongoing mining operations on a reasonable basis. In addition to rejecting these proposals, we note that you have also been unwilling to compromise on a contract mining scenario, despite the explanation to you by our technical people as to why the original scenario proposed by you was unworkable. In addition, such a scenario exposes the Company to potential actions by minority shareholders and other creditors. We also note, upon enquiry from us, that you are unwilling to entertain selling your stream to a third party or investigating the possibility of this.

In the context of our partnership, the 123,436 ounces currently due to CRH are immaterial in relation to the 16,100 – 26,000 ounces CRH expects to receive from its investment in Sage. We note that the first payment under the GPA was made in the amount of 36,210 ounces shortly after February 9, 2018. For obvious reasons, of which you are aware, we have had to prioritize our limited financial resources towards paying creditors vital to maintaining mining operations. Had we diverted 15% of the gold or the revenue therefrom, to make payments pursuant to the GPA resulting from the March and April 2018 mill runs, it would have resulted in one or more critical suppliers withdrawing their goods or services



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resulting in a suspension of mining operations. This allocation of funds was undertaken to protect all stakeholders, including CRH. We understand that CRH has a fiduciary duty to its investors to protect its investment in Sage and to advocate for its payments under the GPA. We assume that your letter was issued solely in order to assert these rights.

Sage has survived and made significant operational progress since January 2018, by carefully applying its very limited financial resources to partially address the most critical payables needed to continue operations at Clavos to continue to produce gold. Despite receiving partial payments, it has been those payables, including Bob Ritchie and others, who have effectively helped financing Sage by continuing to be owed significant amounts. Without the continued support from those payables and the suppliers to which they relate, Clavos would have been placed on care and maintenance some time ago. Sage has been able to continue producing gold over the last few months only because the Company's suppliers and management have been extremely supportive by deferring payments. We had hoped that CRH, as our largest partner and creditor, would have voluntarily contributed to this effort.

In the event that Sage has to news release your default notice without some comfort to investors that the Company and its major shareholder, secured lender and streamholder are in discussions to work together to ensure the viability of the Company, we believe there would be disastrous consequences such as:

1. A decline in the share price to a level where no equity financing can be completed;
2. The removal of mobile and other equipment, including pumps, compressors for ventilation and generators by suppliers who decide the risks are too high to keep their equipment on the property;
3. The placing of liens against the property by existing creditors; and
4. The need to put the mine on care and maintenance without sufficient funding to pay for it, thereby placing the value of the asset at risk.

We also understand that Peter Yu has issued threats of lawsuits which we don't believe are helpful to either party, but which may also have to be disclosed, causing further damage to our mutual interests.

Most importantly, Sage is once again, potentially frozen as a result of your default notice, just as we were embarking on a major equity fundraising. This is on hold again for now, until we have clarity about CRH's intentions.



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We fully understand, if the purpose of sending the default notice was to preserve your legal position and to assert the amount owing to you under the GPA. However, we cannot continue to operate under conditions where CRH expects and encourages Sage to raise millions of dollars in equity, only to then freeze us out of the market by actions that may send the Company into bankruptcy.

Taking into account the bigger picture, your default notice sent on Thursday night may or may not warrant disclosure as a material change, however we both know that there are further defaults under the GPA looming next week. The start of Commercial Production will be delayed from May 17, 2018 to an unspecified time in the future which is dependent upon the completion of the updated Mineral Resource estimate, updated mining plan and securing sufficient funding to execute this plan. Sage remains committed to working constructively with CRH to reach a comprehensive agreement on an amendment to the GPA that would cover all of the existing and foreseeable Events of Default under the current GPA.

Acknowledging the other requests you have expressed in a recent e-mail and the call with Thomas on Friday, we propose the following immediate action:

1. Clavos site visit: We understand that in the call with Thomas on Friday, Andrew requested a site visit. Andrew, you are most welcome to visit Clavos while it is operational and you should do it as soon as possible in the next few days. Thomas is ready to join you this week. We suggest you also bring along a technical person to evaluate the long-term viability of Clavos.
2. Call with Yamana: As per your request, we will be pleased to ask Yamana to engage in a call with Peter Yu at their earliest convenience.
3. GPA discussion: In order to reach a comprehensive agreement on the necessary amendments to the GPA and the way forward for Sage and CRH, we suggest a meeting in Toronto or New York to settle all of the outstanding matters.

Regards,

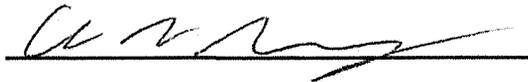
**SAGE GOLD INC.**

C. Nigel Lees  
President and Chief Executive Officer

**EXHIBIT " I "**  
*referred to in the Affidavit of*

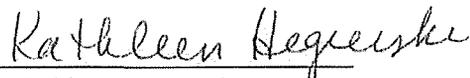
**ANDREW WEHRLEY**

*Sworn July 10, 2018*



State of New York     )  
  )     ss.:  
County of New York    )

On this 10<sup>th</sup> day of July 2018 A.D. personally came before me, a Notary Public in and for said State duly commissioned and sworn, Andrew Wehrley known to me personally to be such persons who executed such instrument, and acknowledged to me that such instrument was in his own proper handwriting, and that his act of executing and delivering such instrument was duly authorized.

  
Kathleen Hegierski, Notary  
01HE6155794 (Qualified in New York County)

KATHLEEN HEGIERSKI  
NOTARY PUBLIC-STATE OF NEW YORK  
No. 01HE6155794  
Qualified in New York County  
My Commission Expires November 20, 2018



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## NEWS RELEASE

### **SAGE GOLD PROVIDES BI-WEEKLY MCTO STATUS REPORT**

**Toronto, Ontario, May 11, 2018 - Sage Gold Inc. ("Sage Gold" or the "Company") (TSX-V: SGX)** is providing a bi-weekly update on the status of the Management Cease Trade Order ("**MCTO**") and an update of its ongoing mining activities at its Clavos gold mine in Timmins, Ontario.

The Company disseminated a News Release on April 27, 2018 (the "**Default Announcement**") disclosing that it had voluntarily applied to the Ontario Securities Commission (the "**OSC**") for a MCTO as it was not able to complete and file its audited financial statements, CEO and CFO certifications, and management discussion & analysis (the "Annual Filings") for the year ended December 31, 2017 by the filing deadline of April 30, 2018. On April 30, 2018 the OSC granted a MCTO provided that the Company issue a bi-weekly default status report, in accordance with National Policy 12-203, during the period of the MCTO from the date of the Default Announcement. The Company reports as follows:

- (a) there are no changes to the information contained in the Default Announcement that would reasonably be expected to be material to an investor;
- (b) the preparation of the Annual Filings is continuing and is expected to be completed by May 23, 2018;
- (c) There is no additional information regarding any (anticipated) specified default subsequent to the default which is the subject of the Default Announcement; and
- (d) there is no other material information concerning the affairs of the Company that has not been generally disclosed other than the following:

The Company is party to a Gold Prepayment Agreement (the "**GPA**") dated November 17, 2016 with CRH Funding II Pte. Ltd. ("**CRH**"), which provided financing for, the development of the Clavos Project. During the term of the GPA, Sage Gold is required to deliver between 16,100 and 26,000 ounces of gold to CRH. The requirement to begin delivery under the GPA commenced in January 2018.

The Company received a Notice of Default pursuant to Section 10 of the GPA for its failure to deliver Refined Gold of approximately 123 ounces from the two most recent mill runs ("**Delivery Obligations**"). Subject to any applicable cure periods, CRH as a secured lender is in a position to terminate the GPA and enforce its security over the Clavos Project.

The Company is taking steps to satisfy its Delivery Obligations and continues to review and consider its alternatives to resolve the situation, including by having discussions with potential strategic investors and conducting good faith discussions with CRH. At present, there can be no assurances as to the outcome of these initiatives.

As disclosed previously, the Company is in the process of updating a Mineral Reserve and Resource estimate and mine plan and a Pre-feasibility Study for the Clavos Project. Concurrently, the Company continues with its bulk sampling operations. To date, the Company has completed three mill runs in 2018, producing approximately 1,064 ounces of gold. Sage has delivered 36 ounces of gold to CRH in respect of its obligations under the GPA and as noted above, an additional 123 ounces are due to CRH pursuant to these bulk samples.



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As previously noted, Sage Gold currently plans on completing a Mineral Reserve and Resource Estimate and a Pre-Feasibility study for the Clavos Project. In the event that a production decision is made that is not based on a feasibility study of Mineral Reserves demonstrating economic and technical viability prepared in accordance with National Instrument 43-101, readers are cautioned that there is an increased uncertainty and higher risk of economic and technical failure associated with such production decisions.

### **About Sage Gold**

Shares Outstanding: 107,683,926

The Company is a mineral exploration and development company which has primary interests in near-term production and exploration properties in Ontario. Its main properties are the Clavos Gold property, 100% owned, in Timmins and the 100% owned Onaman property and other exploration properties in the Beardmore-Geraldton Gold Camp. Technical reports and information relating to the properties can be obtained from the System for Electronic Document Analysis and Retrieval ("SEDAR") website at [www.sedar.com](http://www.sedar.com) and from the Company's website at [www.sagegoldinc.com](http://www.sagegoldinc.com).

### **Contact Information:**

**Nigel Lees, President and CEO**

**416-204-3170**

[nlees@sagegoldinc.com](mailto:nlees@sagegoldinc.com)

[www.sagegoldinc.com](http://www.sagegoldinc.com)

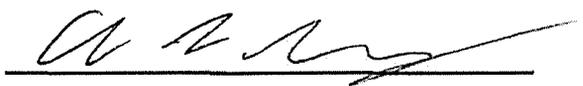
CAUTIONARY STATEMENT: Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release. This news release may contain forward looking information and the Company cautions readers that forward looking information is based on certain assumptions and risk factors that could cause actual results to differ materially from the expectations of the Company included in this news release. This news release includes certain "forward-looking statements", which often, but not always, can be identified by the use of words such as "believes", "anticipates", "expects", "estimates", "may", "could", "would", "will", or "plan". These statements are based on information currently available to the Company and the Company provides no assurance that actual results will meet management's expectations. Forward-looking statements include estimates and statements with respect to the Company's future plans, objectives or goals, to the effect that the Company or management expects a stated condition or result to occur. Since forward-looking statements are based on assumptions and address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results relating to, among other things, results of exploration, metallurgical processing, project development, reclamation and capital costs of the Company's mineral properties, and the Company's financial condition and prospects, could differ materially from those currently anticipated in such statements for many reasons such as, but are not limited to: failure to identify mineral resources; failure to convert estimated mineral resources to reserves; the preliminary nature of metallurgical test results; delays in obtaining or failures to obtain required governmental, environmental or other project approvals; political risks; uncertainties relating to the availability and costs of financing needed in the future; changes in equity markets, inflation, changes in exchange rates; fluctuations in commodity prices; delays in the development of projects; capital and operating costs varying significantly from estimates and the other risks involved in the mineral exploration and development industry; and those risks set out in the Company's public documents filed on SEDAR. This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on the Company's forward-looking statements. Although the Company believes that the assumptions and factors used in preparing the forward-looking information in this news release are reasonable, undue reliance should not be placed on such information, which only applies as of the date of this news release, and no assurance can be given that such events will occur in the disclosed time frames or at all. The Company disclaims any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, other than as required by law.

**EXHIBIT " J "**

*referred to in the Affidavit of*

**ANDREW WEHRLEY**

*Sworn July 10, 2018*

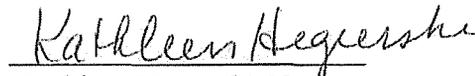


State of New York     )

)     ss.:

County of New York    )

On this 10<sup>th</sup> day of July 2018 A.D. personally came before me, a Notary Public in and for said State duly commissioned and sworn, Andrew Wehrley known to me personally to be such persons who executed such instrument, and acknowledged to me that such instrument was in his own proper handwriting, and that his act of executing and delivering such instrument was duly authorized.



Kathleen Hegierski, Notary  
01HE6155794 (Qualified in New York County)

KATHLEEN HEGIERSKI  
NOTARY PUBLIC-STATE OF NEW YORK  
No. 01HE6155794  
Qualified in New York County  
My Commission Expires November 20, 2018

## Danny Duy Vu

---

**De:** Bill Love <wlove@sagegoldinc.com>  
**Envoyé:** Monday, June 25, 2018 5:19 AM  
**À:** Dylan Avery; Andrew Wehrley; Nigel Lees; Michael Farrant; MichaelSkutezky  
**Objet:** site status

Dylan – see below

Site Status - June 22, 2018

The underground is now currently open and the pumps are working. **HOWEVER, WE CANNOT SEND PEOPLE UNDERGROUND AS WE DON'T HAVE A COMPRESSOR AND HENCE THERE IS NO COMPRESSED AIR IN THE REFUGE STATION. IF THERE WAS AN ACCIDENT THEN THE COMPANY COULD BE ASSESSED A CRIMINAL CHARGE. WE MUST HAVE A COMPRESSOR TO KEEP THE UNDERGROUND OPEN.**

There is approximately \$400,000 of value (liquidation value) of equipment left underground which could be removed and sold. We would be required to maintain the current burn rate of \$176,591 per month for 1-1.5 months to remove the equipment. The equipment would be sold through sales consultants who would receive a commission on the sale.

CRH has chosen not to support Sage in its fundraising that would have enabled the Company to continue operations or a proper C&M mode while restructuring its liabilities in a professional and feasible manner. Given the situation CRH has put Sage into, **Sage is not in the financial position to continue care and maintenance at the Clavos site. We cannot continue to absorb the costs of the ongoing burn rate at Clavos and the costs of unpaid wages for previous payrolls. We cannot operate without a compressor. The company will be forced to close the mine and allow the mine to flood.** CRH has to decide today whether you want to let the mine flood or if CRH is willing to absorb the cost of C&M in order to preserve the value of the asset. This is now entirely up to you as part of the proposal you presented to Sage on 12 June 2018. We would urge you to follow through with your promised next steps, including a forbearance agreement, as time is of the essence here.

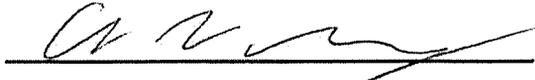
Regards  
Bill Love

**EXHIBIT " K "**

*referred to in the Affidavit of*

**ANDREW WEHRLEY**

*Sworn July 10, 2018*

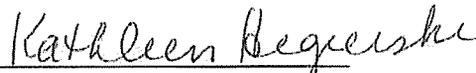


State of New York )

) ss.:

County of New York )

On this 10<sup>th</sup> day of July 2018 A.D. personally came before me, a Notary Public in and for said State duly commissioned and sworn, Andrew Wehrley known to me personally to be such persons who executed such instrument, and acknowledged to me that such instrument was in his own proper handwriting, and that his act of executing and delivering such instrument was duly authorized.



Kathleen Hegierski, Notary  
01HE6155794 (Qualified in New York County)

KATHLEEN HEGIERSKI  
NOTARY PUBLIC-STATE OF NEW YORK  
No. 01HE6155794  
Qualified in New York County  
My Commission Expires November 20, 2018

Maria Ruberto  
E-mail: [mruberto@pallettvalo.com](mailto:mruberto@pallettvalo.com)  
Direct Line: (905) 273-3022 x. 206

**BY REGISTERED MAIL**

June 11, 2018

CRH Funding II Pte Ltd.  
10 Changi Business Park Central 2  
#05-01 HansaPoint  
Singapore 486030

and

CRH Funding II Pte Ltd.  
505 Fifth Avenue, 15<sup>th</sup> Floor  
New York, NY 10017  
USA

Dear Sirs/Mesdames:

**Re: Toromont Industries Ltd. cob as Battlefield Equipment Rentals (“Battlefield”) v.  
Sage Gold Inc., et al.  
Project: Clavos Mine located in German, Stock and Clergue Townships, Ontario  
(the “Project”)  
Our File No. 79266**

Enclosed and served upon you pursuant to the *Rules of Civil Procedure* is a copy of our Statement of Claim.

If you have any questions, please contact me.

Yours very truly,

**PALLETT VALO LLP**



Per: Maria Ruberto  
MRU/er  
Encl.

CU-18-0000097-0000  
Court File No.

**ONTARIO  
SUPERIOR COURT OF JUSTICE**

**IN THE MATTER OF the Construction Lien Act, R.S.O. 1990, c. C.30**

**BETWEEN:**

*(Court Seal)*

**TOROMONT INDUSTRIES LTD. carrying on business as  
BATTLEFIELD EQUIPMENT RENTALS**

**Plaintiff**

**and**

**SAGE GOLD INC. and  
CRH FUNDING II PTE LTD.**

**Defendants**

**STATEMENT OF CLAIM**

**TO THE DEFENDANTS**

A LEGAL PROCEEDING HAS BEEN COMMENCED AGAINST YOU by the Plaintiff. The Claim made against you is set out in the following pages.

IF YOU WISH TO DEFEND THIS PROCEEDING, you or an Ontario lawyer acting for you must prepare a Statement of Defence in Form 18A prescribed by the Rules of Civil Procedure, serve it on the Plaintiff's lawyer or, where the Plaintiff does not have a lawyer, serve it on the Plaintiff, and file it, with proof of service in this court office, WITHIN TWENTY DAYS after this Statement of Claim is served on you, if you are served in Ontario.

~~If you are served in another province or territory of Canada or in the United States of America, the period for serving and filing your Statement of Defence is forty days. If you are served outside Canada and the United States of America, the period is sixty days.~~

~~Instead of serving and filing a Statement of Defence, you may serve and file a Notice of Intent to Defend in Form 18B prescribed by the Rules of Civil Procedure. This will entitle you to ten more days within which to serve and file your Statement of Defence.~~

IF YOU FAIL TO DEFEND THIS PROCEEDING, JUDGMENT MAY BE GIVEN AGAINST YOU IN YOUR ABSENCE AND WITHOUT FURTHER NOTICE TO YOU. IF YOU WISH TO DEFEND THIS PROCEEDING BUT ARE UNABLE TO PAY LEGAL FEES,

LEGAL AID MAY BE AVAILABLE TO YOU BY CONTACTING A LOCAL LEGAL AID OFFICE.

IF YOU PAY THE PLAINTIFF'S CLAIM, and \$1,500 for costs, within the time for serving and filing your Statement of Defence you may move to have this proceeding dismissed by the Court. If you believe the amount claimed for costs is excessive, you may pay the Plaintiff's claim and \$400 for costs and have the costs assessed by the Court.

~~TAKE NOTICE: THIS ACTION WILL AUTOMATICALLY BE DISMISSED if it has not been set down for trial or terminated by any means within five years after the action was commenced unless otherwise ordered by the court.~~

Date           MAY 31 2018           Issued by           mkydd.            
Local Registrar

Address of court office: 48 Spruce Street North  
Timmins, Ontario  
P4N 6M7

TO: Sage Gold Inc.  
1301 - 200 University Avenue  
Toronto, Ontario  
M5H 3C6

AND TO: CRH Funding II Pte Ltd.  
10 Changi Business Park Central 2  
#05-01 HansaPoint  
Singapore  
486030

- and -

505 Fifth Ave., 15<sup>th</sup> Floor  
New York, NY 10017

**CLAIM**

1. A. THE PLAINTIFF CLAIMS AGAINST THE DEFENDANTS, OR EITHER OF THEM;

- (a) payment of the sum of \$88,683.12, inclusive of HST;
- (b) alternatively, damages in the amount of \$88,683.12, inclusive of HST, on the basis of *quantum meruit* or unjust enrichment;
- (c) payment of pre-judgment interest on each unpaid invoice balance referred to in Schedule "A", attached hereto, from the 30th day following the date of each invoice at the rate of 24% per annum;
- (d) alternatively, payment of pre-judgment interest on the sum of \$88,683.12 in accordance with section 128 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended;
- (e) post-judgment interest in accordance with section 129 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended;
- (f) that in default of payment of the sum of \$88,683.12 plus costs, that the estate and interest of the Defendants, or either of them, in the lands and premises to which the lien hereinafter described attaches and which are the subject matter of this action, be sold and the proceeds applied toward payment of the Plaintiff's claim as aforesaid plus costs, pursuant to the provisions of the *Construction Lien Act*, R.S.O. 1990 c. C.30 (the "*Act*");

- (g) full priority over the mortgage in favour of CRH Funding II Pte. Ltd., or alternatively, priority over the said mortgage to the extent that any portion of the said mortgage advanced exceeded the actual value of the lands and premises at the time the first lien arose, or, in the further alternative, priority over the said mortgage to the extent of any unadvanced portions, or in the further alternative, priority to the extent of any deficiencies in the holdback required to be maintained pursuant to the provisions of the *Act*.
- (h) for all purposes aforesaid and for all other purposes, that accounts be taken and directions be given; and
- (i) such further and other relief as this Honourable Court deems just.

**B. THE PLAINTIFF CLAIMS AGAINST THE DEFENDANT, SAGE GOLD INC.:**

- (a) payment of the additional sum of \$149,638.30, inclusive of HST, for unpaid invoices;
- (b) alternatively, damages in the amount of \$149,638.30, inclusive of HST, on the basis of *quantum meruit* or unjust enrichment;
- (c) payment of pre-judgment interest on each unpaid invoice balance referred to in Schedule "B", attached hereto, from the 30th day following the date of each invoice at the rate of 24% per annum;

- (d) alternatively, payment of pre-judgment interest on the sum of \$149,638.30 in accordance with section 128 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended;
- (e) post-judgment interest in accordance with section 129 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended;
- (f) costs of this action including all HST attributable to any award of costs; and
- (g) such further and other relief as this Honourable Court deems just.

#### THE PARTIES

2. The Plaintiff, Toromont Industries Ltd., is a corporation incorporated pursuant to the laws of the Province of Ontario and carries on business as a supplier of rental equipment and related parts and services under the registered business name of Battlefield Equipment Rentals ("Battlefield").

3. The Defendant, Sage Gold Inc. ("Sage Gold"), is, and at all material times was, the registered owner of the lands and premises known as the Clavos Gold Mine located in German, Stock and Clergue Townships, Ontario, which are the lands and premises to which the Construction Lien and Claim for Lien hereinafter described attaches (the "Subject Lands").

4. The Defendant, CRH Funding II Pte. Ltd., ("CRH Funding"), is a corporation who carries on business as a lender of money secured by mortgage.

### **THE AGREEMENT**

5. On or about June 10, 2017, Sage Gold submitted a Credit Application to the Plaintiff (the "Credit Application").

6. The Credit Application was approved by the Plaintiff and the Plaintiff and Sage Gold, entered into an agreement whereby the Plaintiff agreed to supply various rental equipment and related services (the "Equipment") to Sage Gold from time to time, for the improvement of the Subject Lands (the "Agreement").

7. It was a term of the Agreement that payment of each invoice would be due by the 30th day following the date of the invoice (the "Due Date").

8. It was also a term of the Agreement that interest at the rate of 24% per annum would accrue on each unpaid invoice balance after the Due Date.

9. The Plaintiff rendered invoices to Sage Gold from time to time for the Equipment in accordance with the Agreement.

### **THE INDEBTEDNESS**

10. As of the date hereof, Sage Gold remains indebted to the Plaintiff in the total sum of \$238,321.42 for the Equipment supplied for the improvement of the Subject Lands.

11. Particulars of the Equipment supplied by the Plaintiff to Sage Gold and for which payment has not been received, are contained in the invoices listed in Schedules "A" and "B" attached hereto, which were sent or delivered to Sage Gold on or about their respective dates.

#### THE LIEN

12. By reason of supplying the Equipment to the Subject Lands, the Plaintiff became entitled to a lien upon the interest of the Defendants, or either of them, in the Subject Lands.

13. On March 29, 2018, the Plaintiff caused to be registered a Construction Lien in the amount of \$88,683.12, against title to the Subject Lands in the Lands Registry Office for the Land Titles Division of the Town of Cochrane (No. 6), as Instrument No. CB138648. Attached hereto as Schedule "C" is a true copy of the Construction Lien.

14. The Subject Lands were at all material times occupied by the Defendants, and are the lands for which the Plaintiff supplied the Equipment at the request of, on behalf of, with the consent and for the direct benefit of the Defendants, and accordingly, the Defendants are, and at all material times were, owners within the meaning of section 1(1) of the *Act*.

#### THE MORTGAGE

15. CRH Funding is the holder of a mortgage in the principal sum of \$43,000,000.00 registered on title to the Subject Lands on November 22, 2016 as Instrument No. CB127780 (the "Mortgage").

16. The Plaintiff states that the Mortgage was given and taken with the intention to secure the financing of the improvements herein and the Plaintiff claims that it has full priority over the Mortgage.

17. Alternatively, the Plaintiff states that its lien has priority over the Mortgage to the extent of any deficiency in the holdbacks required to be retained pursuant to the provisions of the *Act*.

18. In the further alternative, the Plaintiff states that its lien has priority over the Mortgage to the extent that any portion of monies advanced under the Mortgage exceed the actual value of the Subject Lands at the time when the first lien arose.

19. In the further alternative, the Plaintiff states that its lien has priority over the Mortgage to the extent of any unadvanced portion thereof.

20. The Plaintiff states that the knowledge of all advances made pursuant to the Mortgage is within the knowledge of the Defendants.

#### UNJUST ENRICHMENT / QUANTUM MERUIT

21. In the alternative, the Plaintiff states that by reason of supplying the Equipment to Sage Gold, Sage Gold, has received the benefit of same and has been unjustly enriched in the amount of \$238,321.42 at the expense and to the detriment of the Plaintiff. The Plaintiff pleads and relies upon the doctrine of unjust enrichment.

22. In the further alternative, the Plaintiff states that it is entitled to damages in the amount of \$238,321.42 as against Sage Gold on the basis of *quantum meruit*.

#### OUT OF PROVINCE SERVICE

23. In serving CRH Funding with this claim in Singapore, and New York, the Plaintiff relies on Rule 17.02 subparagraphs (a), (e), (f), (g) and (n), specifically relying on the following facts:

- (a) the Subject Lands are located in Ontario;
- (b) the Mortgage is registered on title to the Subject Lands located in Ontario;
- (c) the Agreement was made in Ontario; and

(d) CRH Funding is a necessary or proper party to the action.

May , 2018

**PALLET VALO LLP**  
Lawyers & Trade-Mark Agents  
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Suite 300  
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L5B 1M5

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Lawyers for the Plaintiff

SCHEDULE "A"

Date	Invoice No.	Amount Outstanding
07/11/2017	62104093	\$6,780.00
07/28/2017	62104440	\$3,030.66
07/31/2017	62104496	\$7,071.54
07/31/2017	62104501	\$1,015.87
08/09/2017	62104682	\$6,780.00
08/31/2017	62105168	\$893.78
09/05/2017	62105201	\$6,780.00
09/12/2017	62105352	\$5,370.89
09/19/2017	62105459	\$8,056.34
10/03/2017	62105752	\$6,780.00
10/31/2017	62106259	\$6,780.00
12/13/2017	62106851	\$6,780.00
12/22/2017	62107013	\$6,780.00
01/25/2018	62107254	\$6,780.00
02/20/2018	62107474	\$6,780.00
03/13/2018	60110123	\$2,224.04
	<b>TOTAL</b>	<b>\$88,689.12</b>

SCHEDULE "B"

Date	Invoice No.	Amount Outstanding
03/20/2018	62107713	\$6,780.00
04/18/2018	62107713	\$6,780.00
05/15/2018	62108287	\$6,780.00
05/29/2018	50019589	\$129,298.30
TOTAL		\$149,638.30

SCHEDULE "C"

LRO # 0 Construction Lien  
The applicant hereby applies to the Land Registrar:

Received as CD130648 on 2018 03 29 at 14:55  
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Properties:	
<b>PN#</b>	0002-0002 LT
<b>Description</b>	PCL 22594 SEC SEC GRO; PT LT 2 CON 8 GERMAN PT 3, 844717; CITY OF THAMES
<b>Address</b>	THAMES
<b>PN#</b>	0002-0035 LT
<b>Description</b>	PCL 6740 SEC SEC 8 (1/2 LT 2 CON 8 GERMAN AS IN CPASS, EXCEPT SRO OF PT 3, 844717 AS IN C250102 AND SRO OF PT 4, 844717 AS IN C163101, SPT SPOUSAL INTEREST IN C260773; CITY OF THAMES
<b>Address</b>	THAMES
<b>PN#</b>	0002-0206 LT
<b>Description</b>	PCL 22593 SEC SEC MRO; PT BROKEN LT 4 CON 8 GERMAN LYING SOUTH OF THE HIGH WATER MARK ON THE SOUTH SHORE OF MORTFOSH LAKE AND ITS OUTLET; CITY OF THAMES
<b>Address</b>	THAMES
<b>PN#</b>	0002-0044 LT
<b>Description</b>	PCL 21144 SEC SEC MRO; N1/2 LT 3 CON 8 GERMAN BEING ALL THAT PT OF SAID LOT WHICH OF SAID DRAIN ACROSS SAID LT PARALLEL WITH THE S EAST THEREOF AND DISTANT THEREFROM FORTY TWO CHAINS AND FIVE LINKS, S/1 THE DEBTS OF THE ESTATE OF MARTHA, MATH; CITY OF THAMES
<b>Address</b>	THAMES
<b>PN#</b>	0002-0164 LT
<b>Description</b>	PCL 22003 SEC SEC SRO; PT S 1/2 LT 1 CON 8 GERMAN INCLUDING ANY LAND COVERED WITH WATER; BEING: PT MANNING CLAIM P2002 GERMAN; PT MANNING CLAIM P2003 GERMAN; PT MANNING CLAIM P2004 GERMAN LYING N OF PT 1, 843705 AS IN C260716; PT 1, 843705 AS IN C260716; CITY OF THAMES
<b>Address</b>	THAMES
<b>PN#</b>	0002-0280 LT
<b>Description</b>	PCL 17103 SEC SEC SRO; N 1/2 LT 1 CON 8 GERMAN INCLUDING ANY LAND COVERED WITH WATER; BEING: MANNING CLAIM P2876 GERMAN; MANNING CLAIM P2879 GERMAN; MANNING CLAIM P2881 GERMAN; MANNING CLAIM P2881 GERMAN; CITY OF THAMES
<b>Address</b>	THAMES
<b>PN#</b>	0002-0200 LT
<b>Description</b>	PCL 17113 SEC SEC SRO; S 1/2 LT 1 CON 8 GERMAN INCLUDING ANY LAND COVERED WITH WATER; BEING: MANNING CLAIM P2877 GERMAN; MANNING CLAIM P2878 GERMAN; MANNING CLAIM P2900 GERMAN; MANNING CLAIM P2881 GERMAN; CITY OF THAMES
<b>Address</b>	THAMES
<b>PN#</b>	0003-0150 LT
<b>Description</b>	PCL 22005 SEC SEC SRO; PT N 1/2 LT 12 CON 8 STOCK; MANNING CLAIM L4206 STOCK; MANNING CLAIM L4207 STOCK; MANNING CLAIM L4208 STOCK; PT MANNING CLAIM L4304 STOCK LYING N OF PT 1, 843705, TINY A ROW OVER PT 1, 843705 AS IN C260716; PT 1, 843705, C117710, C406029; BLACK RIVER; MATHESON
<b>Address</b>	MATHESON
<b>PN#</b>	0003-0100 LT
<b>Description</b>	PCL 17138 SEC SEC; NE PT S PT LT 11 CON 8 STOCK; MANNING CLAIM L3748 STOCK AS IN C14376, EXCEPT SRO AS IN C143036; BLACK RIVER; MATHESON
<b>Address</b>	MATHESON
<b>PN#</b>	0003-0160 LT
<b>Description</b>	PCL 17102 SEC SEC SRO; NE PT OF S PT LT 11 CON 8 STOCK; MANNING CLAIM L3748 STOCK DESCRIBED AS FOLLOWS: COMMENCING AT A POINT IN THE S BOUNDARY OF THE SAID LT DISTANT 19.70 CHAINS MEASURED NLY PARALLEL TO THE W BOUNDARY OF THE SAID LT FROM A POINT IN THE S BOUNDARY OF THE SAID LT; THENCE NLY PARALLEL TO THE SAID W BOUNDARY 20.30 CHAINS, MORE OR LESS, TO THE INTERSECTION OF A LINE DRAWN WASTY ACROSS THE SAID LT FROM A POINT IN THE E BOUNDARY THEREOF; DISTANT SLY ALONG THE SAID E BOUNDARY 34.70 CHAINS FROM THE NE ANGLE OF THE SAID LT; THENCE E ASTY ALONG THE LINE DRAWN WASTY AS AFORESAID 20.7 CHAINS, MORE OR LESS, TO THE BOUNDARY OF THE SAID LT; THENCE SLY ALONG THE SAID E BOUNDARY 19.76 CHAINS, MORE OR LESS, TO ITS INTERSECTION WITH A LINE DRAWN NLY PARALLEL TO THE S BOUNDARY OF THE SAID LT FROM THE NE ANGLE; THENCE NLY PARALLEL TO THE SAID S BOUNDARY 20.41 CHAINS, MORE OR LESS, TO THE POE; CONTAINING BY ADMEASUREMENT FORTY ONE AND TWENTY TWO ONE HUNDRED THIRTY (41,22) ACRES, MORE OR LESS; BLACK RIVER; MATHESON
<b>Address</b>	MATHESON
<b>PN#</b>	0003-0050 LT

LRO # 6 Construction Lien

Received as G0130648 on 2018 03 20 at 14:55

The applicant(s) hereby applies to the Land Registrar;

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Properties	
Description	PCL 0230 SEC SEC; SE PT OF S PT LT 11 CON 0 STOCK; MINING CLAIM L37430 STOCK AS IN CP4300, EXCEPT SRO AS IN C106300; S/T C112710; BLACK RIVER-MATHESON
Address	MATHESON
PIN	65303 - 0183 LT
Description	PCL 17703 SEC SEC SRO; SE PT OF S PT LT 11 CON 0 STOCK; MINING CLAIM L37430 STOCK DESCRIBED AS FOLLOWS: COMMENCING AT THE SE ANGLE OF THE SAID LT; THENCE WLY ALONG THE S BOUNDARY OF THE SAID LT 20.67 CHAINS, MORE OR LESS, TO A POINT MIDWAY BTN THE SE AND SW ANGLES OF THE SAID LT; THENCE NLY PARALLEL TO THE W BOUNDARY OF THE SAID LT 10.70 CHAINS; THENCE ELY PARALLEL TO THE S BOUNDARY OF THE SAID LT 20.67 CHAINS, MORE OR LESS, TO THE E BOUNDARY OF THE SAID LT; THENCE SLY ALONG THE SAID E BOUNDARY 10.70 CHAINS, MORE OR LESS, TO THE POC. CONTAINING BY ADMEASUREMENT FORTY AND EIGHTY-TWO ONE HUNDRED THIRTY (4082) ACRES, MORE OR LESS; S/T C112710, C106301; BLACK RIVER-MATHESON
Address	MATHESON
PIN	65303 - 0104 LT
Description	PCL 0260 SEC SEC; NE 1/4 OF S 1/2 LT 12 CON 0 STOCK; MINING CLAIM L37440 STOCK CONTAINING BY ADMEASUREMENT THIRTY-NINE AND THREE EIGHTHS (39 3/8) ACRES, MORE OR LESS; BLACK RIVER-MATHESON
Address	MATHESON
PIN	65303 - 0102 LT
Description	PCL 0240 SEC SEC; SE 1/4 OF S 1/2 LT 12 CON 0 STOCK; MINING CLAIM L37441 STOCK; BLACK RIVER-MATHESON
Address	MATHESON
PIN	65303 - 0103 LT
Description	PCL 0240 SEC SEC; NW PT OF S PT LT 11 CON 0 STOCK; MINING CLAIM L37442 STOCK AS IN CP4300; BLACK RIVER-MATHESON
Address	MATHESON
PIN	65303 - 0104 LT
Description	PCL 0240 SEC SEC; SW PT OF S PT LT 11 CON 0 STOCK; MINING CLAIM L37443 STOCK AS IN CP4300; BLACK RIVER-MATHESON
Address	MATHESON
PIN	65303 - 0201 LT
Description	PCL 0241 SEC SEC; NW PT OF S PT LT 10 CON 0 STOCK; MINING CLAIM L37461 STOCK AS IN CP4301, EXCEPT SRO AS IN C106300; S/T C112710; BLACK RIVER-MATHESON
Address	MATHESON
PIN	65303 - 0187 LT
Description	PCL 17704 SEC SEC SRO; NW PT OF S PT LT 10 CON 0 STOCK; MINING CLAIM L37454 STOCK DESCRIBED AS FOLLOWS: COMMENCING AT A POINT IN THE SAID LT DISTANT 20 CHAINS 8 LINKS MEASURED NLY PARALLEL TO THE SAID E BOUNDARY OF THE SAID LT FROM A POINT IN THE S BOUNDARY OF THE SAID LT MIDWAY BTN THE SE AND SW ANGLES THEREOF; THENCE NLY PARALLEL TO THE SAID E BOUNDARY 20.00 CHAINS, MORE OR LESS, TO THE S BOUNDARY OF THAT PT OF THE SAID LT GRANTED TO JAMES ROBERTSON LAIDLAW BY LETTERS PATENT DATED 30TH MARCH 1816; THENCE WLY PARALLEL TO THE S BOUNDARY OF THE SAID LT BEING ALONG THE S BOUNDARY OF LANDS GRANTED AS AFORESAID 21.17 CHAINS, MORE OR LESS, TO THE W BOUNDARY OF THE SAID LT; THENCE SLY ALONG SAID W BOUNDARY 20.00 CHAINS TO ITS INTERSECTION WITH A LINE DRAWN WLY PARALLEL TO THE S BOUNDARY OF THE SAID LT FROM THE POC; THENCE ELY PARALLEL TO THE SAID S BOUNDARY 20.00 CHAINS, MORE OR LESS, TO THE POC. CONTAINING BY ADMEASUREMENT FORTY ONE AND NINETY-TWO ONE HUNDRED THIRTY (4192) ACRES, MORE OR LESS; S/T C112710, C106301; BLACK RIVER-MATHESON
Address	MATHESON
PIN	65303 - 0202 LT
Description	PCL 0242 SEC SEC; SW PT OF S PT LT 10 CON 0 STOCK; MINING CLAIM L37462 STOCK AS IN CP4302, EXCEPT SRO AS IN C106300; S/T C112710; BLACK RIVER-MATHESON
Address	MATHESON
PIN	65303 - 0170 LT
Description	PCL 17705 SEC SEC SRO; SW PT OF S PT LT 10 CON 0 STOCK; MINING CLAIM L37455 STOCK DESCRIBED AS FOLLOWS: COMMENCING AT A POINT IN THE S BOUNDARY OF THE SAID LT MIDWAY BTN THE SE AND SW ANGLES THEREOF; THENCE NLY PARALLEL TO THE E BOUNDARY OF THE SAID LT 20.00 CHAINS; THENCE WLY PARALLEL TO THE SAID S BOUNDARY 21.50 CHAINS TO THE W BOUNDARY OF THE SAID LT; THENCE SLY ALONG THE SAID W BOUNDARY 20.00

ERO # 8 Construction Lien

Received by CB130649 on 2018-03-28 at 14:55

The applicability hereby applies to the Land Register.

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Properties	
Address:	CHARNS, MORE OR LESS, TO THE SW ANGLE OF THE SAID LT; THENCE ELY ALONG THE AFORESAID S BOUNDARY 20 CHAINS, MORE OR LESS, TO THE P.O.C. CONTAINING BY ADMEASUREMENT FORTY AND SEVENTY FOUR ONE HUNDREDTHS (40.74) ACRES, MORE OR LESS; S/T 0112710, C40394; BLACK RIVER-MATHESON.
Address:	MATHESON
FIN:	03303-0211 LT
Description:	PCL 12037 SEC SEC; PT LT 11 CON 8 STOCK; MINING CLAIM L42005 STOCK; AS IN C10003, EXCEPT SRO AS IN C100308; S/T 0112710; BLACK RIVER-MATHESON
Address:	MATHESON
FIN:	03303-0212 LT
Description:	PCL 12021 SEC SEC; N 1/2 LT 12 CON 8 STOCK; MINING CLAIM L43304 STOCK; MINING CLAIM L42000 STOCK; MINING CLAIM L42007 STOCK; MINING CLAIM L42009 STOCK EXCEPT SRO AS IN C100308; S/T 0101000, 0112710; BLACK RIVER-MATHESON.
Address:	MATHESON
FIN:	03303-0183 LT
Description:	PCL 12022 SEC SEC; SW 1/4 LT 12 CON 8 STOCK; MINING CLAIM L42008 STOCK; MINING CLAIM L42729 STOCK; BLACK RIVER-MATHESON
Address:	MATHESON
FIN:	03303-0214 LT
Description:	PCL 12023 SEC SEC; S/2 OF N/2 LT 12 CON 8 STOCK; MINING CLAIM L42043 STOCK; MINING CLAIM L40644 STOCK; BLACK RIVER-MATHESON
Address:	MATHESON
FIN:	03302-0207 LT
Description:	PCL 007 SEC SEC; PT LT 2 CON 6 GERMAN AS IN N102584; CITY OF TIMMINES
Address:	TIMMINES
FIN:	03302-0301 LT
Description:	PCL 1184 SEC SEC; PT LT 3 CON 6 GERMAN BEING ALL THAT PT OF SAID LT LYING S OF A LINE DRAWN ACROSS SAID LT PARALLEL WITH THE S LIMIT THEREOF AND DISTANT N THEREFROM 42 CHAINS 05 LINKS, RESERVING TO THE ONTARIO NORTH LAND TRANSPORTATION COMMISSION THE RIGHT TO CROSS SAID LANDS AND TO LAY DOWN THEIR ROW 60 FT IN WIDTH ON AND OVER SAID LANDS OR ANY PT THEREOF AS MAY HEREAFTER BE FOUND NECESSARY OR EXPEDIENT; SAID RESERVATION TO BE OF THE SRO IN ACCORDANCE WITH THE TERMS OF AN ORDER OF THE LIEUTENANT-GOVERNOR IN COUNCIL, DATED 22ND FEBRUARY, 1908, EXCEPT SRO AS IN 0330717; CITY OF TIMMINES
Address:	TIMMINES
FIN:	03302-0301 LT
Description:	PCL 12016 SEC SEC; N 1/2 LT 1 CON 6 GERMAN INCLUDING ANY LAND COVERED WITH WATER, BEING; MINING CLAIM P.20070 GERMAN; MINING CLAIM P.20070 GERMAN; MINING CLAIM P.20001 GERMAN; MINING CLAIM P.20001 GERMAN EXCEPT SRO AS IN C100308; CITY OF TIMMINES
Address:	TIMMINES
FIN:	03302-0300 LT
Description:	PCL 12010 SEC SEC; S 1/2 LT 1 CON 6 GERMAN INCLUDING ANY LAND COVERED WITH WATER, BEING; MINING CLAIM P.20077 GERMAN; MINING CLAIM P. 20300 GERMAN; MINING CLAIM P.20001 GERMAN; MINING CLAIM P.20095 GERMAN EXCEPT SRO AS IN C100308; CITY OF TIMMINES
Address:	TIMMINES
FIN:	03302-0307 LT
Description:	PCL 12014 SEC SEC; S 1/2 LT 1 CON 6 GERMAN INCLUDING ANY LAND COVERED WITH WATER, BEING; MINING CLAIM P.20002 GERMAN; MINING CLAIM P.20003 GERMAN; MINING CLAIM P.30084 GERMAN; MINING CLAIM P.30085 GERMAN CONTAINING BY ADMEASUREMENT ONE HUNDRED AND EIGHTY-TWO AND FIVE-TENTHS (102.5) ACRES, MORE OR LESS, EXCEPT SRO AS IN C100308; S/T 0104810, 0112710; CITY OF TIMMINES
Address:	TIMMINES
FIN:	03302-0103 LT
Description:	PCL 12017 SEC SEC; NE PT OF S/4 PT LT 2 CON 6 GERMAN BEING; MINING CLAIM P.20004 GERMAN AS IN C100308, EXCEPT SRO AS IN C100308; CITY OF TIMMINES
Address:	TIMMINES
FIN:	03302-0188 LT
Description:	PCL 17711 SEC SEC SRO; PT LT 2 CON 6 GERMAN BEING; MINING CLAIM P.20004 GERMAN AS IN C100308; CITY OF TIMMINES

LRO #18 Construction Lien

Revised and C0130618 on 2018.03.23 at 14:58

This application hereby applies to the Land Registrar.

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Properties	
Address	THAWNS
PN	05302 - 0504 LT
Description	PCL 12818 SEC SEC; NW PT OF S PT LT 2 CON 5 GERMAN BEING; MARKING CLAIM P.20005 GERMAN AS IN C100337, EXCEPT SRO AS IN C100330; CITY OF THAWNS
Address	THAWNS
PN	05302 - 0157 LT
Description	PCL 17712 SEC SEC SRO; PT LT 2 CON 5 GERMAN BEING; MARKING CLAIM P.20005 GERMAN AS IN C100330; CITY OF THAWNS
Address	THAWNS
PN	05302 - 0503 LT
Description	PCL 12818 SEC SEC; SE PT OF S PT LT 2 CON 5 GERMAN BEING; MARKING CLAIM P.20005 GERMAN AS IN C100337, EXCEPT SRO AS IN C100330; S/T C104071, C112719; CITY OF THAWNS
Address	THAWNS
PN	05302 - 0165 LT
Description	PCL 22004 SEC SEC SRO; SE PT OF S PT LT 2 CON 5 GERMAN BEING; PT MARKING CLAIM P.20083 GERMAN LYING N OF PT 2, 063709; 3/4 ROW OVER PT 3 & 3, 063708 AS IN C288715; S/T C104871, C105890; CITY OF THAWNS
Address	THAWNS
PN	05302 - 0503 LT
Description	PCL 12820 SEC SEC MRO, INC. UPON AND UNDER THE; S 1/2 OF N 1/2 LT 1 CON 8 GERMAN INCLUDING ANY LAND COVERED WITH WATER, BEING; MARKING CLAIM P.32143 GERMAN; MARKING CLAIM P.32144 GERMAN CONTAINING BY ADMEASUREMENT TWENTY-SIX AND SEVENTY-FIVE ONE HUNDRED THS (26.75) ACRES, MORE OR LESS; CITY OF THAWNS
Address	THAWNS
PN	05303 - 0183 LT
Description	PCL 10040 SEC SEC SRO; W 1/2 OF N PT LT 11 CON 8 STOCK LYING N OF A LINE DRAWN WASTY ACROSS SAID LT FROM A POINT IN THE E BOUNDARY THEREOF DISTANT 41 ALONG SAID E BOUNDARY 38 CHAINS 70 LINKS FROM THE E ANGLE OF SAID LT; BLACK RIVER; MATHESON
Address	MATHESON
PN	05303 - 0189 LT
Description	PCL 5001 SEC SEC SRO; E 1/2 OF N 1/2 LT 11 CON 8 STOCK THE SAID N PT BEING ALL THAT PORTION OF SAID LT LYING N OF A LINE DRAWN WASTY ACROSS SAID LT FROM A POINT IN THE E LIMIT THEREOF, DISTANT 41 ALONG SAID E LIMIT 38 CHAINS 70 LINKS FROM THE NE ANGLE OF SAID LOT, CONTAINING BY ADMEASUREMENT EIGHTY (80) ACRES, MORE OR LESS; BLACK RIVER; MATHESON
Address	MATHESON
PN	05303 - 0223 LT
Description	PCL 0281 SEC SEC MRO; PT LT 10 CON 8 STOCK LYING N OF A LINE DRAWN ACROSS SAID LT PARALLEL TO THE S BOUNDARY THEREOF AT A DISTANCE OF 40 CHAINS 18 LINKS N THEREFROM, CONTAINING BY ADMEASUREMENT ONE HUNDRED AND SIXTY (160) ACRES, MORE OR LESS; BLACK RIVER; MATHESON
Address	MATHESON
PN	05303 - 0169 LT
Description	PCL 17719 SEC SEC SRO; PT LT 11 CON 5 STOCK BEING NW PT. OF N PT; MARKING CLAIM L42008 STOCK MORE PARTICULARLY DESCRIBED AS FOLLOWS: CORNERING AT A POINT IN THE N BOUNDARY OF THE SAID LT DISTANT 20 CHAINS MEASURED 88 DEGREES 01 MINUTES W ALONG SAID N BOUNDARY FROM THE NE ANGLE OF THE SAID LT; THENCE S 88 DEGREES 01 MINUTES W 21.555 CHAINS; THENCE N 88 DEGREES 37 MINUTES W 20 CHAINS MORE OR LESS TO THE W BOUNDARY OF THE SAID LT; THENCE N 88 DEGREES 33 MINUTES E ALG W 3 THE SAID W BOUNDARY 21.02 CHAINS MORE OR LESS TO THE NW ANGLE OF SAID LT; THENCE N 88 DEGREES 51 MINUTES E ALONG THE N BOUNDARY OF THE SAID LT 20 CHAINS MORE OR LESS TO THE POC, CONTAINING BY ADMEASUREMENT FORTY-TWO AND FIFTY-SEVEN ONE HUNDRED THS (42.57) ACRES, MORE OR LESS; S/T C112710, C100330; BLACK RIVER; MATHESON
Address	MATHESON
PN	05303 - 0218 LT
Description	PCL 0724 SEC SEC MRO; 3 1/4 ACRES LT 11 CON 5 STOCK; BLACK RIVER; MATHESON
Address	MATHESON
PN	05303 - 0001 LT
Description	PCL 17153 SEC LG MRO; N 1/2 OF N 1/2 LT 12 CON 8 STOCK BEING; MARKING CLAIM P.



LRQ# 6 Construction Lien  
This application(s) hereby applies to the Lien Register.

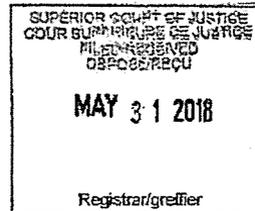
Received as CD139648 on 2019.03.29 at 14:59  
yyymmdd Page 8 of 8

File Number	
Current Clerk File Number:	79203

TOROMONT INDUSTRIES LTD. carrying on business as  
BATTLEFIELD EQUIPMENT RENTALS  
Plaintiff

-and- SAGE GOLD INC. et al.  
Defendants

CV-18-0000097-0000  
Court File No.



**ONTARIO  
SUPERIOR COURT OF JUSTICE**

IN THE MATTER OF the *Construction Lien Act*, R.S.O. 1990, c.  
C.30

PROCEEDING COMMENCED AT  
COCHRANE

**STATEMENT OF CLAIM**

**PALLET VALO LLP**  
Lawyers & Trade-Mark Agents  
77 City Centre Drive, West Tower  
Suite 300  
Mississauga, Ontario  
LSB 1M5

MARIA RUBERTO (LSO # 51148D)  
NEETA SANDHU (LSO #71049A)  
Tel: (905) 273-3300  
Fax: (905) 273-6920  
Email: [mruberto@palletvalo.com](mailto:mruberto@palletvalo.com)  
Email: [nsandhu@palletvalo.com](mailto:nsandhu@palletvalo.com)

Lawyers for the Plaintiff

**EXHIBIT " L "**

*referred to in the Affidavit of*

**ANDREW WEHRLEY**

*Sworn July 10, 2018*

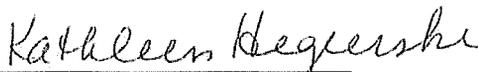


State of New York     )

)     ss.:

County of New York    )

On this 10<sup>th</sup> day of July 2018 A.D. personally came before me, a Notary Public in and for said State duly commissioned and sworn, Andrew Wehrley known to me personally to be such persons who executed such instrument, and acknowledged to me that such instrument was in his own proper handwriting, and that his act of executing and delivering such instrument was duly authorized.



Kathleen Hegierski, Notary  
01HE6155794 (Qualified in New York County)

KATHLEEN HEGIERSKI  
NOTARY PUBLIC-STATE OF NEW YORK  
No. 01HE6155794  
Qualified in New York County  
My Commission Expires November 20, 2018

**NOTICE OF INTENTION TO ENFORCE SECURITY**  
(Section 244(1) of the Bankruptcy and Insolvency Act (the "BIA")  
and Rule 124 of the General Rules under the BIA)

**TO : SAGE GOLD INC.**

**TAKE NOTICE THAT:**

1. **CRH FUNDING II PTE. LTD. ("CRH")**, as purchaser pursuant to a *Gold Prepayment Agreement* (the "**GPA**") entered into with Sage Gold Inc. ("**Sage**") on or about November 17, 2016, intends to enforce its security on, *inter alia*, the following property (the "**Property**") of Sage:

*"(a) [...] all freehold, leasehold and licenced real property or interest therein now owned, leased or licenced by [Sage] including, but not limited to, the lands and premises described in Schedule "A" [to the Debenture] as amended from time to time, together with all ore stock piles, buildings, erections and fixtures now or hereafter constructed or placed on such freehold, leasehold and licenced real property (collectively, the 'Real Property'; and (B) the patented and unpatented mining claims described in Schedule "B" [to the Debenture], together with all ore stock piles, buildings, erections and fixtures now or hereafter constructed or placed on such mining claims (collectively, the 'Mining Claims'),*

*[...] all freehold, leasehold and licenced real property or interests therein, including but not limited to an assignment as security of all mining leases, patented claims, rights, permits, profits a prendre, options, royalty agreements, licenses now owned, leased, or licenced, or hereafter owned, leased or licenced by or on behalf of [Sage], together with all ore stock piles, buildings, erections and fixtures constructed or placed on such freehold, leasehold and licenced real property and mines, Minerals and resources including, without limitation, all metallic and non-metallic minerals, including coal, salt, quarry and pit material bearing substances and other minerals of every kind and description whatsoever, now owned, held or hereafter acquired by [Sage] (collectively, the 'Additional Real Property Interests');*

*(b) [...] all of [Sage]'s right, title and interest in and to all of [its] present and after-acquired personal property and all proceeds thereof (except the Excluded Collateral) of whatsoever nature and kind and wherever situate including, without limiting the generality of the foregoing, all of [Sage]'s right, title and interest in and to all of [Sage]'s present and after-acquired Project Assets, together with:*

- (i) *Proceeds – all of [Sage]'s property in any form derived directly or indirectly from any use or dealing with the Collateral or that indemnifies or compensates for Collateral destroyed or damaged (all of which property is hereinafter collectively called 'Proceeds')*
- (ii) *Books & Records – all of [Sage]'s deeds, documents, writings, papers, books of account and other books relating to or being records*

*of debts, chattel paper, or documents of title or by which such are or may hereafter be secured, evidenced, acknowledged or made payable (all of which property is hereinafter collectively called 'Books & Records');*

- (iii) Equipment – all tools, machinery, equipment, furniture, plants, fixtures and other tangible personal property, vehicles and fixed goods and chattels (all of which property is hereinafter collectively called 'Equipment');*
- (iv) Inventory – all goods and chattels now or hereafter forming the inventory of [Sage], of whatever kind and wherever located, including, without limitation, all goods, merchandise, raw materials, ore stock, work in process, finished goods and chattels held for sale, lease or resale, or furnished or to be furnished under contracts for service or used in or procured for packing or packaging, timber cut or to be cut, oil, gas and Minerals extracted (all of which goods and chattels are hereinafter collectively called 'Inventory'); and*
- (v) Other Property – the undertaking and all other property and assets of the Borrower for the time being of whatsoever nature and kind both present and future including without limiting the generality of the foregoing, all choses in action, uncalled capital, moneys, rights, franchises, negotiable and non-negotiable Instruments, judgments, securities, Produced Gold and Refined Gold (all of which are hereinafter collectively called 'Other Property), other than that which is at any and all times validly subject to the first, fixed and specific mortgage and charge hereby created or subject to the assignment set forth in this Section 4(b); and*

*(c) [...] all debts, accounts, choses in action, claims, demands, and moneys now due or owing or accruing due or which may hereafter become due or owing to [Sage], including (without limiting the foregoing) claims against the Crown in the right of Canada or of any province, moneys which may become payable under any policy of insurance in respect of any loss by fire, or other cause which has been or may be incurred by [Sage] (collectively, 'Book Debts'), together with all contracts, securities, bills, notes, Lien notes, judgments, chattel mortgagees, mortgages and all other rights, benefits and documents now or hereafter taken, vested in or held by [Sage] in respect of or as security for the Book Debts hereby assigned or intended so to be or any part thereof and the full benefit and advantage thereof and all rights of action, claim or demand which [Sage] now has or may at any time hereafter have against any Person in respect thereof. ..."<sup>1</sup>*

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<sup>1</sup> All capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the Debenture.

2. The security to be enforced is in the form of, *inter alia*, a Debenture executed by Sage in favour of CRH on November 17, 2016 (the "**Debenture**").
3. As at June 25, 2018, the total amount of indebtedness secured by the above-mentioned Debenture was \$38,802,937, on account of principal, plus interest accrued thereon and other fees payable pursuant to the GPA and the Debenture.
4. CRH will not have the right to enforce the above-described security interest until after the expiry of the ten (10) day period after this Notice is sent, unless Sage consents to an earlier enforcement.

[Signature page follows]

DATED in New York, NY, this 25<sup>th</sup> day of June, 2018.

**CRH FUNDING II PTE. LTD.**

By: 

\_\_\_\_\_  
Name: Andrew Wehrley  
Title: Director

We, the undersigned, acknowledge having received and read the above notice to enforce a security pursuant to section 244 of the BIA and hereby waive the benefit of the delay of ten (10) days provided for in such notice and consent to the immediate enforcement by CRH Funding II PTE. Ltd. of any and all security interests.

**SAGE GOLD INC.**

By:

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

ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST

THE HONOURABLE ) \*DAY, THE \*  
 )  
JUSTICE ) DAY OF \*, 2018  
 )

CRH FUNDING II PTE. LTD.

Applicant

- and -

SAGE GOLD INC.

Respondent

ORDER  
(Appointing Receiver)

THIS APPLICATION made by the Applicant for an Order pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA") and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "CJA") appointing Deloitte Restructuring Inc. as receiver ("Deloitte" or, in such capacities, the "Receiver") without security, of all of the assets, undertakings and properties of Sage Gold Inc. (the "Debtor") acquired for, or used in relation to a business carried on by the Debtor, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of Andrew Wehrley sworn July 10, 2018 and the Exhibits thereto and on hearing the submissions of counsel for the Applicant, counsel for the Debtor, no one else appearing although duly served as appears from the affidavit of service of Kathryn Esaw sworn July 10, 2018 and on reading the consent of Deloitte to act as the Receiver,

## **SERVICE**

1. THIS COURT ORDERS that the time for service of the Notice of Application and the Application is hereby abridged and validated so that this application is properly returnable today and hereby dispenses with further service thereof.

## **APPOINTMENT**

2. THIS COURT ORDERS that pursuant to section 243(1) of the BIA and section 101 of the CJA, Deloitte is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of the Debtor acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (the "**Property**").

## **RECEIVER'S POWERS**

3. THIS COURT ORDERS that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
- (b) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;
- (c) to manage, operate, and carry on the business of the Debtor, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Debtor;

- (d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;
- (e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtor or any part or parts thereof;
- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor and to exercise all remedies of the Debtor in collecting such monies, including, without limitation, to enforce any security held by the Debtor;
- (g) to settle, extend or compromise any indebtedness owing to the Debtor;
- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;
- (i) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtor, the Property or the Receiver, and to settle or compromise any such proceedings. The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;
- (j) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;

- (k) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,
  - (i) without the approval of this Court in respect of any transaction not exceeding \$250,000, provided that the aggregate consideration for all such transactions does not exceed \$1,000,000; and
  - (ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause;

and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act*, or section 31 of the Ontario *Mortgages Act*, as the case may be, shall not be required, and in each case the Ontario *Bulk Sales Act* shall not apply.

- (l) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
- (m) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
- (n) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
- (o) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtor;
- (p) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtor, including, without limiting the generality of the

foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtor;

- (q) to exercise any shareholder, partnership, joint venture or other rights which the Debtor may have; and
- (r) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations.

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Debtor, and without interference from any other Person.

#### **DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER**

4. THIS COURT ORDERS that (i) the Debtor, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "**Persons**" and each being a "**Person**") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request.

5. THIS COURT ORDERS that all Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtor, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "**Records**") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 5 or in paragraph 6 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due

to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

6. THIS COURT ORDERS that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

7. THIS COURT ORDERS that the Receiver shall provide each of the relevant landlords with notice of the Receiver's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Receiver's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Receiver, or by further Order of this Court upon application by the Receiver on at least two (2) days' notice to such landlord and any such secured creditors.

#### **NO PROCEEDINGS AGAINST THE RECEIVER**

8. THIS COURT ORDERS that no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

**NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY**

9. THIS COURT ORDERS that no Proceeding against or in respect of the Debtor or the Property shall be commenced or continued except with the written consent of the Receiver or with leave of this Court and any and all Proceedings currently under way against or in respect of the Debtor or the Property, including the proceedings commenced by Toromont Industries Ltd., carrying on business as Battlefield Equipment Rentals, against the Debtor and the Applicant before the Ontario Superior Court of Justice in the Court file number CV-18-00000097-0000, are hereby stayed and suspended pending further Order of this Court, and that any Proceedings seeking to challenge the validity of the Applicant's claim against the Debtor or priority of the Applicant's security interest against its Property shall be brought before this Court, in the context of the present receivership proceedings.

**NO EXERCISE OF RIGHTS OR REMEDIES**

10. THIS COURT ORDERS that all rights and remedies against the Debtor, the Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that this stay and suspension does not apply in respect of any "eligible financial contract" as defined in the BIA, and further provided that nothing in this paragraph shall (i) empower the Receiver or the Debtor to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtor from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

**NO INTERFERENCE WITH THE RECEIVER**

11. THIS COURT ORDERS that no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Debtor, without written consent of the Receiver or leave of this Court.

### **CONTINUATION OF SERVICES**

12. THIS COURT ORDERS that all Persons having oral or written agreements with the Debtor or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Debtor are hereby restrained until further Order of this Court from discontinuing, altering, interfering with or terminating the supply of such goods or services as may be required by the Receiver, and that the Receiver shall be entitled to the continued use of the Debtor's current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Debtor or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

### **RECEIVER TO HOLD FUNDS**

13. THIS COURT ORDERS that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "Post Receivership Accounts") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

### **EMPLOYEES**

14. THIS COURT ORDERS that all employees of the Debtor shall remain the employees of the Debtor until such time as the Receiver, on the Debtor's behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, or in

respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*.

## **PIPEDA**

15. THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one or more sales of the Property (each, a "**Sale**"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtor, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

## **LIMITATION ON ENVIRONMENTAL LIABILITIES**

16. THIS COURT ORDERS that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the *Ontario Environmental Protection Act*, the *Ontario Water Resources Act*, or the *Ontario Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in

pursuance of the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession. The Receiver shall be deemed not to have taken possession of any of the Property for the purposes of Environmental Legislation for the first 10 days after the date of this order while it assesses the environmental condition of the Property and the requirements for completing the process of placing the Debtor's mines on care and maintenance. The Receiver will have the option of abandoning all or any part of the Property at any time upon filing a certificate with this court so certifying and describing the abandoned Property, all without prejudice to the Debtor's interest in such property and rights and interests of creditors to the abandoned Property and all such rights and interests are expressly reserved.

#### **LIMITATION ON THE RECEIVER'S LIABILITY**

17. THIS COURT ORDERS that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*. Nothing in this Order shall derogate from the protections afforded the Receiver by section 14.06 of the BIA or by any other applicable legislation.

#### **RECEIVER'S ACCOUNTS**

18. THIS COURT ORDERS that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges unless otherwise ordered by the Court on the passing of accounts, and that the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "**Receiver's Charge**") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that the Receiver's Charge shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

19. THIS COURT ORDERS that the Receiver and its legal counsel shall pass its accounts from time to time, and for this purpose the accounts of the Receiver and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

20. THIS COURT ORDERS that prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the standard rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

### **FUNDING OF THE RECEIVERSHIP**

21. THIS COURT ORDERS that the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$1,000,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "**Receiver's Borrowings Charge**") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

22. THIS COURT ORDERS that neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.

23. THIS COURT ORDERS that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "A" hereto (the "**Receiver's Certificates**") for any amount borrowed by it pursuant to this Order.

24. THIS COURT ORDERS that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

### **SERVICE AND NOTICE**

25. THIS COURT ORDERS that the E-Service Protocol of the Commercial List (the "Protocol") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at <http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol.

26. THIS COURT ORDERS that if the service or distribution of documents in accordance with the Protocol is not practicable, the Receiver is at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Debtor's creditors or other interested parties at their respective addresses as last shown on the records of the Debtor and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

### **GENERAL**

27. THIS COURT ORDERS that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

28. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.

29. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

30. THIS COURT ORDERS that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located, for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

31. THIS COURT ORDERS that the Applicant shall have its costs of this motion, up to and including entry and service of this Order, provided for by the terms of the Plaintiff's security or, if not so provided by the Plaintiff's security, then on a substantial indemnity basis to be paid by the Receiver from the Debtor's estate with such priority and at such time as this Court may determine.

32. THIS COURT ORDERS that any interested party may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

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**SCHEDULE "A"**  
**RECEIVER CERTIFICATE**

CERTIFICATE NO. \_\_\_\_\_

AMOUNT \$ \_\_\_\_\_

1. THIS IS TO CERTIFY that Deloitte Restructuring Inc., the receiver (the "**Receiver**") of the assets, undertakings and properties Sage Gold Inc. acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (collectively, the "**Property**") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated the \_\_\_ day of \_\_\_\_\_, 2018 (the "**Order**") made in an application having Court file number \_\_\_-CL-\_\_\_\_\_, has received as such Receiver from the holder of this certificate (the "**Lender**") the principal sum of \$\_\_\_\_\_, being part of the total principal sum of \$\_\_\_\_\_ which the Receiver is authorized to borrow under and pursuant to the Order.

2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded daily after the date hereof at a notional rate per annum equal to the rate of \_\_\_\_\_ per cent above the prime commercial lending rate of Bank of \_\_\_\_\_ from time to time.

3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and in the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.

4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Toronto, Ontario.

5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.

7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the \_\_\_\_ day of \_\_\_\_\_, 2018.

DELOITTE RESTRUCTURING INC., solely in its capacity as Receiver of the Property, and not in its personal capacity

Per: \_\_\_\_\_

Name:

Title:

**CRH FUNDING II PTE. LTD.**

Applicant and

**SAGE GOLD INC.**

Respondent

Court File No.: *CU-18-601307-00CL*

**ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST**

Proceeding commenced at Toronto

**ORDER (APPOINTING RECEIVER)**

**STIKEMAN ELLIOTT LLP**

Barristers & Solicitors

5300 Commerce Court West

199 Bay Street

Toronto, Canada M5L 1B9

Guy Martel

Tel: (514) 397-3163

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Kathryn Esaw LSUC#58264F

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Email: [kesaw@stikeman.com](mailto:kesaw@stikeman.com)

Lawyers for the Applicant

Court File No. CU-18-601307-  
OCL

ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST

THE HONOURABLE ) WEEKDAY\*DAY, THE #\*  
JUSTICE )  
DAY OF MONTH\*, 20YR2018

**PLAINTIFF<sup>†</sup>**

Plaintiff

**CRH FUNDING II PTE. LTD.**

Applicant

- and -

**DEFENDANT**

Defendant

**SAGE GOLD INC.**

Respondent

**ORDER**  
**(~~appointing~~Appointing Receiver)**

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<sup>†</sup> -The Model Order Subcommittee notes that a receivership proceeding may be commenced by action or by application. This model order is drafted on the basis that the receivership proceeding is commenced by way of an action.

THIS MOTIONAPPLICATION made by the Plaintiff<sup>2</sup> Applicant for an Order pursuant to section 243(1) of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "BIA") and section 101 of the *Courts of Justice Act*, R.S.O. 1990, c. C.43, as amended (the "CJA") appointing [RECEIVER'S NAME]Deloitte Restructuring Inc. as receiver [and manager] ("Deloitte" or, in such capacities, the "**Receiver**") without security, of all of the assets, undertakings and properties of [DEBTOR'S NAME]Sage Gold Inc. (the "**Debtor**") acquired for, or used in relation to a business carried on by the Debtor, was heard this day at 330 University Avenue, Toronto, Ontario.

ON READING the affidavit of [NAME]Andrew Wehrley sworn [DATE]July 10, 2018 and the Exhibits thereto and on hearing the submissions of counsel for [NAMES]the Applicant, counsel for the Debtor, no one else appearing for [NAME]although duly served as appears from the affidavit of service of [NAME]Kathryn Esaw sworn [DATE]July 10, 2018 and on reading the consent of [RECEIVER'S NAME]Deloitte to act as the Receiver,

## SERVICE

1. THIS COURT ORDERS that the time for service of the Notice of ~~Motion~~Application and the ~~Motion~~Application is hereby abridged and validated<sup>3</sup> so that this ~~motion~~application is properly returnable today and hereby dispenses with further service thereof.

## APPOINTMENT

2. THIS COURT ORDERS that pursuant to section 243(1) of the BIA and section 101 of the CJA, [RECEIVER'S NAME]Deloitte is hereby appointed Receiver, without security, of all of the assets, undertakings and properties of the Debtor acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (the "**Property**").

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<sup>2</sup>Section 243(1) of the BIA provides that the Court may appoint a receiver "on application by a secured creditor".

<sup>3</sup>If service is effected in a manner other than as authorized by the Ontario *Rules of Civil Procedure*, an order validating irregular service is required pursuant to Rule 16.08 of the *Rules of Civil Procedure* and may be granted in appropriate circumstances.

### RECEIVER'S POWERS

3. THIS COURT ORDERS that the Receiver is hereby empowered and authorized, but not obligated, to act at once in respect of the Property and, without in any way limiting the generality of the foregoing, the Receiver is hereby expressly empowered and authorized to do any of the following where the Receiver considers it necessary or desirable:

- (a) to take possession of and exercise control over the Property and any and all proceeds, receipts and disbursements arising out of or from the Property;
- (b) to receive, preserve, and protect the Property, or any part or parts thereof, including, but not limited to, the changing of locks and security codes, the relocating of Property to safeguard it, the engaging of independent security personnel, the taking of physical inventories and the placement of such insurance coverage as may be necessary or desirable;
- (c) to manage, operate, and carry on the business of the Debtor, including the powers to enter into any agreements, incur any obligations in the ordinary course of business, cease to carry on all or any part of the business, or cease to perform any contracts of the Debtor;
- (d) to engage consultants, appraisers, agents, experts, auditors, accountants, managers, counsel and such other persons from time to time and on whatever basis, including on a temporary basis, to assist with the exercise of the Receiver's powers and duties, including without limitation those conferred by this Order;
- (e) to purchase or lease such machinery, equipment, inventories, supplies, premises or other assets to continue the business of the Debtor or any part or parts thereof;
- (f) to receive and collect all monies and accounts now owed or hereafter owing to the Debtor and to exercise all remedies of the Debtor in collecting such

monies, including, without limitation, to enforce any security held by the Debtor;

- (g) to settle, extend or compromise any indebtedness owing to the Debtor;
- (h) to execute, assign, issue and endorse documents of whatever nature in respect of any of the Property, whether in the Receiver's name or in the name and on behalf of the Debtor, for any purpose pursuant to this Order;
- (i) to initiate, prosecute and continue the prosecution of any and all proceedings and to defend all proceedings now pending or hereafter instituted with respect to the Debtor, the Property or the Receiver, and to settle or compromise any such proceedings.<sup>4</sup> The authority hereby conveyed shall extend to such appeals or applications for judicial review in respect of any order or judgment pronounced in any such proceeding;
- (j) to market any or all of the Property, including advertising and soliciting offers in respect of the Property or any part or parts thereof and negotiating such terms and conditions of sale as the Receiver in its discretion may deem appropriate;
- (k) to sell, convey, transfer, lease or assign the Property or any part or parts thereof out of the ordinary course of business,
  - (i) without the approval of this Court in respect of any transaction not exceeding \$          ,250,000, provided that the aggregate consideration for all such transactions does not exceed \$          1,000,000; and

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<sup>4</sup> ~~This model order does not include specific authority permitting the Receiver to either file an assignment in bankruptcy on behalf of the Debtor, or to consent to the making of a bankruptcy order against the Debtor. A bankruptcy may have the effect of altering the priorities among creditors, and therefore the specific authority of the Court should be sought if the Receiver wishes to take one of these steps.~~

- (ii) with the approval of this Court in respect of any transaction in which the purchase price or the aggregate purchase price exceeds the applicable amount set out in the preceding clause;

and in each such case notice under subsection 63(4) of the Ontario *Personal Property Security Act*, [for section 31 of the Ontario *Mortgages Act*, as the case may be,<sup>5</sup>] shall not be required, and in each case the Ontario *Bulk Sales Act* shall not apply.

- (l) to apply for any vesting order or other orders necessary to convey the Property or any part or parts thereof to a purchaser or purchasers thereof, free and clear of any liens or encumbrances affecting such Property;
- (m) to report to, meet with and discuss with such affected Persons (as defined below) as the Receiver deems appropriate on all matters relating to the Property and the receivership, and to share information, subject to such terms as to confidentiality as the Receiver deems advisable;
- (n) to register a copy of this Order and any other Orders in respect of the Property against title to any of the Property;
- (o) to apply for any permits, licences, approvals or permissions as may be required by any governmental authority and any renewals thereof for and on behalf of and, if thought desirable by the Receiver, in the name of the Debtor;
- (p) to enter into agreements with any trustee in bankruptcy appointed in respect of the Debtor, including, without limiting the generality of the foregoing, the ability to enter into occupation agreements for any property owned or leased by the Debtor;

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<sup>5</sup> ~~If the Receiver will be dealing with assets in other provinces, consider adding references to applicable statutes in other provinces. If this is done, those statutes must be reviewed to ensure that the Receiver is exempt from or can be exempted from such notice periods, and further that the Ontario Court has the jurisdiction to grant such an exemption.~~

- (q) to exercise any shareholder, partnership, joint venture or other rights which the Debtor may have; and
- (r) to take any steps reasonably incidental to the exercise of these powers or the performance of any statutory obligations.

and in each case where the Receiver takes any such actions or steps, it shall be exclusively authorized and empowered to do so, to the exclusion of all other Persons (as defined below), including the Debtor, and without interference from any other Person.

#### **DUTY TO PROVIDE ACCESS AND CO-OPERATION TO THE RECEIVER**

4. THIS COURT ORDERS that (i) the Debtor, (ii) all of its current and former directors, officers, employees, agents, accountants, legal counsel and shareholders, and all other persons acting on its instructions or behalf, and (iii) all other individuals, firms, corporations, governmental bodies or agencies, or other entities having notice of this Order (all of the foregoing, collectively, being "**Persons**" and each being a "**Person**") shall forthwith advise the Receiver of the existence of any Property in such Person's possession or control, shall grant immediate and continued access to the Property to the Receiver, and shall deliver all such Property to the Receiver upon the Receiver's request.

5. THIS COURT ORDERS that all Persons shall forthwith advise the Receiver of the existence of any books, documents, securities, contracts, orders, corporate and accounting records, and any other papers, records and information of any kind related to the business or affairs of the Debtor, and any computer programs, computer tapes, computer disks, or other data storage media containing any such information (the foregoing, collectively, the "**Records**") in that Person's possession or control, and shall provide to the Receiver or permit the Receiver to make, retain and take away copies thereof and grant to the Receiver unfettered access to and use of accounting, computer, software and physical facilities relating thereto, provided however that nothing in this paragraph 5 or in paragraph 6 of this Order shall require the delivery of Records, or the granting of access to Records, which may not be disclosed or provided to the Receiver due to the privilege attaching to solicitor-client communication or due to statutory provisions prohibiting such disclosure.

6. THIS COURT ORDERS that if any Records are stored or otherwise contained on a computer or other electronic system of information storage, whether by independent service provider or otherwise, all Persons in possession or control of such Records shall forthwith give unfettered access to the Receiver for the purpose of allowing the Receiver to recover and fully copy all of the information contained therein whether by way of printing the information onto paper or making copies of computer disks or such other manner of retrieving and copying the information as the Receiver in its discretion deems expedient, and shall not alter, erase or destroy any Records without the prior written consent of the Receiver. Further, for the purposes of this paragraph, all Persons shall provide the Receiver with all such assistance in gaining immediate access to the information in the Records as the Receiver may in its discretion require including providing the Receiver with instructions on the use of any computer or other system and providing the Receiver with any and all access codes, account names and account numbers that may be required to gain access to the information.

7. THIS COURT ORDERS that the Receiver shall provide each of the relevant landlords with notice of the Receiver's intention to remove any fixtures from any leased premises at least seven (7) days prior to the date of the intended removal. The relevant landlord shall be entitled to have a representative present in the leased premises to observe such removal and, if the landlord disputes the Receiver's entitlement to remove any such fixture under the provisions of the lease, such fixture shall remain on the premises and shall be dealt with as agreed between any applicable secured creditors, such landlord and the Receiver, or by further Order of this Court upon application by the Receiver on at least two (2) days' notice to such landlord and any such secured creditors.

#### **NO PROCEEDINGS AGAINST THE RECEIVER**

8. THIS COURT ORDERS that no proceeding or enforcement process in any court or tribunal (each, a "**Proceeding**"), shall be commenced or continued against the Receiver except with the written consent of the Receiver or with leave of this Court.

#### **NO PROCEEDINGS AGAINST THE DEBTOR OR THE PROPERTY**

9. THIS COURT ORDERS that no Proceeding against or in respect of the Debtor or the Property shall be commenced or continued except with the written consent of the Receiver or with

leave of this Court and any and all Proceedings currently under way against or in respect of the Debtor or the Property, including the proceedings commenced by Toromont Industries Ltd., carrying on business as Battlefield Equipment Rentals, against the Debtor and the Applicant before the Ontario Superior Court of Justice in the Court file number CV-18-00000097-0000, are hereby stayed and suspended pending further Order of this Court, and that any Proceedings seeking to challenge the validity of the Applicant's claim against the Debtor or priority of the Applicant's security interest against its Property shall be brought before this Court, in the context of the present receivership proceedings.

#### **NO EXERCISE OF RIGHTS OR REMEDIES**

10. THIS COURT ORDERS that all rights and remedies against the Debtor, the Receiver, or affecting the Property, are hereby stayed and suspended except with the written consent of the Receiver or leave of this Court, provided however that this stay and suspension does not apply in respect of any "eligible financial contract" as defined in the BIA, and further provided that nothing in this paragraph shall (i) empower the Receiver or the Debtor to carry on any business which the Debtor is not lawfully entitled to carry on, (ii) exempt the Receiver or the Debtor from compliance with statutory or regulatory provisions relating to health, safety or the environment, (iii) prevent the filing of any registration to preserve or perfect a security interest, or (iv) prevent the registration of a claim for lien.

#### **NO INTERFERENCE WITH THE RECEIVER**

11. THIS COURT ORDERS that no Person shall discontinue, fail to honour, alter, interfere with, repudiate, terminate or cease to perform any right, renewal right, contract, agreement, licence or permit in favour of or held by the Debtor, without written consent of the Receiver or leave of this Court.

#### **CONTINUATION OF SERVICES**

12. THIS COURT ORDERS that all Persons having oral or written agreements with the Debtor or statutory or regulatory mandates for the supply of goods and/or services, including without limitation, all computer software, communication and other data services, centralized banking services, payroll services, insurance, transportation services, utility or other services to the Debtor are hereby restrained until further Order of this Court from discontinuing, altering,

interfering with or terminating the supply of such goods or services as may be required by the Receiver, and that the Receiver shall be entitled to the continued use of the Debtor's current telephone numbers, facsimile numbers, internet addresses and domain names, provided in each case that the normal prices or charges for all such goods or services received after the date of this Order are paid by the Receiver in accordance with normal payment practices of the Debtor or such other practices as may be agreed upon by the supplier or service provider and the Receiver, or as may be ordered by this Court.

### **RECEIVER TO HOLD FUNDS**

13. THIS COURT ORDERS that all funds, monies, cheques, instruments, and other forms of payments received or collected by the Receiver from and after the making of this Order from any source whatsoever, including without limitation the sale of all or any of the Property and the collection of any accounts receivable in whole or in part, whether in existence on the date of this Order or hereafter coming into existence, shall be deposited into one or more new accounts to be opened by the Receiver (the "Post Receivership Accounts") and the monies standing to the credit of such Post Receivership Accounts from time to time, net of any disbursements provided for herein, shall be held by the Receiver to be paid in accordance with the terms of this Order or any further Order of this Court.

### **EMPLOYEES**

14. THIS COURT ORDERS that all employees of the Debtor shall remain the employees of the Debtor until such time as the Receiver, on the Debtor's behalf, may terminate the employment of such employees. The Receiver shall not be liable for any employee-related liabilities, including any successor employer liabilities as provided for in section 14.06(1.2) of the BIA, other than such amounts as the Receiver may specifically agree in writing to pay, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*.

### **PIPEDA**

15. THIS COURT ORDERS that, pursuant to clause 7(3)(c) of the Canada *Personal Information Protection and Electronic Documents Act*, the Receiver shall disclose personal information of identifiable individuals to prospective purchasers or bidders for the Property and to their advisors, but only to the extent desirable or required to negotiate and attempt to complete one

or more sales of the Property (each, a "Sale"). Each prospective purchaser or bidder to whom such personal information is disclosed shall maintain and protect the privacy of such information and limit the use of such information to its evaluation of the Sale, and if it does not complete a Sale, shall return all such information to the Receiver, or in the alternative destroy all such information. The purchaser of any Property shall be entitled to continue to use the personal information provided to it, and related to the Property purchased, in a manner which is in all material respects identical to the prior use of such information by the Debtor, and shall return all other personal information to the Receiver, or ensure that all other personal information is destroyed.

### **LIMITATION ON ENVIRONMENTAL LIABILITIES**

16. THIS COURT ORDERS that nothing herein contained shall require the Receiver to occupy or to take control, care, charge, possession or management (separately and/or collectively, "**Possession**") of any of the Property that might be environmentally contaminated, might be a pollutant or a contaminant, or might cause or contribute to a spill, discharge, release or deposit of a substance contrary to any federal, provincial or other law respecting the protection, conservation, enhancement, remediation or rehabilitation of the environment or relating to the disposal of waste or other contamination including, without limitation, the *Canadian Environmental Protection Act*, the Ontario *Environmental Protection Act*, the *Ontario Water Resources Act*, or the Ontario *Occupational Health and Safety Act* and regulations thereunder (the "**Environmental Legislation**"), provided however that nothing herein shall exempt the Receiver from any duty to report or make disclosure imposed by applicable Environmental Legislation. The Receiver shall not, as a result of this Order or anything done in pursuance of the Receiver's duties and powers under this Order, be deemed to be in Possession of any of the Property within the meaning of any Environmental Legislation, unless it is actually in possession. The Receiver shall be deemed not to have taken possession of any of the Property for the purposes of Environmental Legislation for the first 10 days after the date of this order while it assesses the environmental condition of the Property and the requirements for completing the process of placing the Debtor's mines on care and maintenance. The Receiver will have the option of abandoning all or any part of the Property at any time upon filing a certificate with this court so certifying and describing the abandoned Property, all without prejudice to the Debtor's interest in such property and rights and interests of creditors to the abandoned Property and all such rights and interests are expressly reserved.

### LIMITATION ON THE RECEIVER'S LIABILITY

17. THIS COURT ORDERS that the Receiver shall incur no liability or obligation as a result of its appointment or the carrying out the provisions of this Order, save and except for any gross negligence or wilful misconduct on its part, or in respect of its obligations under sections 81.4(5) or 81.6(3) of the BIA or under the *Wage Earner Protection Program Act*. Nothing in this Order shall derogate from the protections afforded the Receiver by section 14.06 of the BIA or by any other applicable legislation.

### RECEIVER'S ACCOUNTS

18. THIS COURT ORDERS that the Receiver and counsel to the Receiver shall be paid their reasonable fees and disbursements, in each case at their standard rates and charges unless otherwise ordered by the Court on the passing of accounts, and that the Receiver and counsel to the Receiver shall be entitled to and are hereby granted a charge (the "**Receiver's Charge**") on the Property, as security for such fees and disbursements, both before and after the making of this Order in respect of these proceedings, and that the Receiver's Charge shall form a first charge on the Property in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subject to sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.<sup>6</sup>

19. THIS COURT ORDERS that the Receiver and its legal counsel shall pass its accounts from time to time, and for this purpose the accounts of the Receiver and its legal counsel are hereby referred to a judge of the Commercial List of the Ontario Superior Court of Justice.

20. THIS COURT ORDERS that prior to the passing of its accounts, the Receiver shall be at liberty from time to time to apply reasonable amounts, out of the monies in its hands, against its fees and disbursements, including legal fees and disbursements, incurred at the standard rates and charges of the Receiver or its counsel, and such amounts shall constitute advances against its remuneration and disbursements when and as approved by this Court.

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<sup>6</sup> Note that subsection 243(6) of the BIA provides that the Court may not make such an order "unless it is satisfied that the secured creditors who would be materially affected by the order were given reasonable notice and an opportunity to make representations".

## FUNDING OF THE RECEIVERSHIP

21. THIS COURT ORDERS that the Receiver be at liberty and it is hereby empowered to borrow by way of a revolving credit or otherwise, such monies from time to time as it may consider necessary or desirable, provided that the outstanding principal amount does not exceed \$          1,000,000 (or such greater amount as this Court may by further Order authorize) at any time, at such rate or rates of interest as it deems advisable for such period or periods of time as it may arrange, for the purpose of funding the exercise of the powers and duties conferred upon the Receiver by this Order, including interim expenditures. The whole of the Property shall be and is hereby charged by way of a fixed and specific charge (the "**Receiver's Borrowings Charge**") as security for the payment of the monies borrowed, together with interest and charges thereon, in priority to all security interests, trusts, liens, charges and encumbrances, statutory or otherwise, in favour of any Person, but subordinate in priority to the Receiver's Charge and the charges as set out in sections 14.06(7), 81.4(4), and 81.6(2) of the BIA.

22. THIS COURT ORDERS that neither the Receiver's Borrowings Charge nor any other security granted by the Receiver in connection with its borrowings under this Order shall be enforced without leave of this Court.

23. THIS COURT ORDERS that the Receiver is at liberty and authorized to issue certificates substantially in the form annexed as Schedule "A" hereto (the "**Receiver's Certificates**") for any amount borrowed by it pursuant to this Order.

24. THIS COURT ORDERS that the monies from time to time borrowed by the Receiver pursuant to this Order or any further order of this Court and any and all Receiver's Certificates evidencing the same or any part thereof shall rank on a *pari passu* basis, unless otherwise agreed to by the holders of any prior issued Receiver's Certificates.

## SERVICE AND NOTICE

25. THIS COURT ORDERS that the E-Service Protocol of the Commercial List (the "**Protocol**") is approved and adopted by reference herein and, in this proceeding, the service of documents made in accordance with the Protocol (which can be found on the Commercial List website at

<http://www.ontariocourts.ca/scj/practice/practice-directions/toronto/e-service-protocol/>) shall be valid and effective service. Subject to Rule 17.05 this Order shall constitute an order for substituted service pursuant to Rule 16.04 of the Rules of Civil Procedure. Subject to Rule 3.01(d) of the Rules of Civil Procedure and paragraph 21 of the Protocol, service of documents in accordance with the Protocol will be effective on transmission. This Court further orders that a Case Website shall be established in accordance with the Protocol with the following URL: ~~“<@>”~~.

26. THIS COURT ORDERS that if the service or distribution of documents in accordance with the Protocol is not practicable, the Receiver is at liberty to serve or distribute this Order, any other materials and orders in these proceedings, any notices or other correspondence, by forwarding true copies thereof by prepaid ordinary mail, courier, personal delivery or facsimile transmission to the Debtor's creditors or other interested parties at their respective addresses as last shown on the records of the Debtor and that any such service or distribution by courier, personal delivery or facsimile transmission shall be deemed to be received on the next business day following the date of forwarding thereof, or if sent by ordinary mail, on the third business day after mailing.

#### **GENERAL**

27. THIS COURT ORDERS that the Receiver may from time to time apply to this Court for advice and directions in the discharge of its powers and duties hereunder.

28. THIS COURT ORDERS that nothing in this Order shall prevent the Receiver from acting as a trustee in bankruptcy of the Debtor.

29. THIS COURT HEREBY REQUESTS the aid and recognition of any court, tribunal, regulatory or administrative body having jurisdiction in Canada or in the United States to give effect to this Order and to assist the Receiver and its agents in carrying out the terms of this Order. All courts, tribunals, regulatory and administrative bodies are hereby respectfully requested to make such orders and to provide such assistance to the Receiver, as an officer of this Court, as may be necessary or desirable to give effect to this Order or to assist the Receiver and its agents in carrying out the terms of this Order.

30. THIS COURT ORDERS that the Receiver be at liberty and is hereby authorized and empowered to apply to any court, tribunal, regulatory or administrative body, wherever located,

for the recognition of this Order and for assistance in carrying out the terms of this Order, and that the Receiver is authorized and empowered to act as a representative in respect of the within proceedings for the purpose of having these proceedings recognized in a jurisdiction outside Canada.

31. THIS COURT ORDERS that the ~~Plaintiff~~Applicant shall have its costs of this motion, up to and including entry and service of this Order, provided for by the terms of the Plaintiff's security or, if not so provided by the Plaintiff's security, then on a substantial indemnity basis to be paid by the Receiver from the Debtor's estate with such priority and at such time as this Court may determine.

32. THIS COURT ORDERS that any interested party may apply to this Court to vary or amend this Order on not less than seven (7) days' notice to the Receiver and to any other party likely to be affected by the order sought or upon such other notice, if any, as this Court may order.

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**SCHEDULE "A"**  
**RECEIVER CERTIFICATE**

CERTIFICATE NO. \_\_\_\_\_

AMOUNT \$ \_\_\_\_\_

1. THIS IS TO CERTIFY that ~~[RECEIVER'S NAME]~~Deloitte Restructuring Inc., the receiver (the "**Receiver**") of the assets, undertakings and properties ~~[DEBTOR'S NAME]~~Sage Gold Inc. acquired for, or used in relation to a business carried on by the Debtor, including all proceeds thereof (collectively, the "**Property**") appointed by Order of the Ontario Superior Court of Justice (Commercial List) (the "**Court**") dated the \_\_\_ day of \_\_\_\_\_, ~~20\_\_~~2018 (the "**Order**") made in an ~~action~~application having Court file number ~~\_\_-CL-~~\_\_\_\_\_, has received as such Receiver from the holder of this certificate (the "**Lender**") the principal sum of \$ \_\_\_\_\_, being part of the total principal sum of \$ \_\_\_\_\_ which the Receiver is authorized to borrow under and pursuant to the Order.

2. The principal sum evidenced by this certificate is payable on demand by the Lender with interest thereon calculated and compounded ~~[daily][monthly not in advance on the \_\_\_\_\_ day of each month]~~daily after the date hereof at a notional rate per annum equal to the rate of \_\_\_\_\_ per cent above the prime commercial lending rate of Bank of \_\_\_\_\_ from time to time.

3. Such principal sum with interest thereon is, by the terms of the Order, together with the principal sums and interest thereon of all other certificates issued by the Receiver pursuant to the Order or to any further order of the Court, a charge upon the whole of the Property, in priority to the security interests of any other person, but subject to the priority of the charges set out in the Order and in the *Bankruptcy and Insolvency Act*, and the right of the Receiver to indemnify itself out of such Property in respect of its remuneration and expenses.

4. All sums payable in respect of principal and interest under this certificate are payable at the main office of the Lender at Toronto, Ontario.

5. Until all liability in respect of this certificate has been terminated, no certificates creating charges ranking or purporting to rank in priority to this certificate shall be issued by the Receiver

to any person other than the holder of this certificate without the prior written consent of the holder of this certificate.

6. The charge securing this certificate shall operate so as to permit the Receiver to deal with the Property as authorized by the Order and as authorized by any further or other order of the Court.

7. The Receiver does not undertake, and it is not under any personal liability, to pay any sum in respect of which it may issue certificates under the terms of the Order.

DATED the \_\_\_\_\_ day of \_\_\_\_\_, ~~20~~2018.

[RECEIVER'S NAME] DELOITTE  
RESTRUCTURING INC., solely in its capacity  
as Receiver of the Property, and not in its  
personal capacity

Per: \_\_\_\_\_

Name:

Title:

CRH FUNDING II PTE. LTD.

Applicant

and

SAGE GOLD INC.

Respondent

Court File No.:

ONTARIO  
SUPERIOR COURT OF JUSTICE  
COMMERCIAL LIST

Proceeding commenced at Toronto

ORDER (APPOINTING RECEIVER)

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Barristers & Solicitors

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Lawyers for the Applicant



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Document 2 ID	PowerDocs://MONTREAL/11813983/5
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