

**MEMORANDUM OF UNDERSTANDING**

This agreement made in this \_\_\_\_\_ day of \_\_\_\_\_, 2019.

**BETWEEN:**                    **The United Townships of Head, Clara & Maria, hereinafter called "the Township"**

-and-

**Northern Graphite Corporation hereinafter called "Northern"**

**The Township and Northern individually a "Party" or collectively the "Parties".**

**Whereas** Northern requires the surface rights to certain unopened Township road allowances (the "Land" as described in Schedule "A"), which are located within its mining leases, in order to construct and operate the Bissett Creek Graphite Mine (the "Mine"), and;

**Whereas** it is very unlikely the Land will ever be needed for use by the travelling public and construction of the Mine will create significant economic benefits for the Township and its population, and;

**Whereas** the Township wishes to support development of the Mine by agreeing to sell or lease the Land to Northern;

**Now Therefore** in consideration of the premises and the mutual covenants herein contained, the Parties hereto agree that when it can be reasonably demonstrated that construction of the Mine is going to proceed, they will enter into a definitive agreement whereby the surface rights to the Land will be transferred to Northern. The Parties agree to the good faith negotiation of the terms of such definitive agreement which shall be substantially as follows:

1. The transfer of the surface rights to the Land will be structured either as a lease or a sale based on the legal, tax and regulatory considerations of both Parties, acting reasonably.
2. The total consideration for the transfer of the surface rights to the Land, whether by sale or lease, shall be \$50,000.00 (fifty thousand dollars).
3. If the transfer is structured as a lease, the term shall be a minimum of 21 years.
4. If the transfer is structured as a sale, the Township shall have the option to repurchase the Land for \$1 (one dollar) when mining and processing operations have permanently ceased.
5. Northern shall only use the Land for the purpose of building and operating the mine.
6. Northern shall build the Mine in accordance with all local, provincial and federal laws and regulations.
7. Northern consents and agrees to:
  - a) indemnify the Crown in right of Ontario and save them harmless from any and all claims for compensation for death, bodily injury or damage to or loss of property (i) arising out of any occurrence in or about the Land or use of the Land by any person, regardless of the nature of the use, (ii) occasioned or caused wholly or in part by any act or omission of Northern or anyone for whom Northern is in law responsible or (iii) arising from any breach by Northern of any provision of any applicable law;
  - b) accept the Land in an "as is" condition and not to require the Township to pay for or do any work or supply any equipment or services in connection with Northern's use or improvement of the Land;

- c) obtain all necessary permits and approvals as may be required by law to build and operate the Mine and to comply with all such permits;
  - d) ensure at all times that the operations conducted by Northern do not cause any adverse effect to the natural environment as determined by applicable local, provincial and federal laws and regulations;
  - e) erect and maintain throughout the term of this lease signs at the entry to the Land advising that the Land is private property and that no person shall trespass on the Land;
  - f) not assign its rights under its agreement with the Township without the prior written consent of the Township.
8. Northern shall indemnify and save harmless the Township from and against any and all manner of claims, demands, losses, costs, expenses, charges, actions, prosecutions, government orders and other proceedings ("Claims") made or brought against, suffered by or imposed on the Township in respect of any loss, damage or injury to any person, property, natural feature or the environment directly or indirectly arising out of, resulting from or sustained as a result of Northern's acts, omissions, construction of any improvements to the Land or its use and maintenance of the Lands or any breach of its agreement with the Township.
9. During the term of any agreement with the Township Northern will obtain and keep in force at its own expense:
- a) Commercial General Liability Insurance customary for a Mine of this size and nature according to industry best practices.
  - b) Environmental liability insurance customary for a Mine of this size and nature according to industry best practices.
10. The Township will have no obligation to assume or be responsible for the maintenance of the Land, or to compensate or reimburse Northern for any costs or expenses incurred to improve or maintain the Land, all of which will be done for the benefit of Northern and not the Township; and the Township will have no obligation to provide any services whatsoever to the Land.
11. Upon termination of mining operations, Northern will remediate the Land in accordance with the Mine Closure Plan approved and accepted by Ontario's Ministry of Energy, Mines and Northern Development in accordance with the Mining Act Ont. Reg 240/00.
12. Any dispute between the parties with respect to the agreement shall, at the request of a Party, be submitted to arbitration pursuant to the Arbitrations Act and the decision of the arbitrator or, if more than one, the decision of a majority shall be final and binding on the parties. Each party shall pay its own costs of the arbitration and shall share equally the costs of the arbitrator(s).
13. Each of Northern and the Township confirm and agree that in no event shall any Party be liable to the other for any indirect or consequential damages pursuant to this agreement.
14. No supplement, modification, amendment, or waiver of this agreement shall be binding unless executed in writing by the parties.
15. This MOU and any subsequent agreements shall be governed by the laws of the Province of Ontario and the laws of Canada applicable therein.

16. This Agreement shall be binding upon and enure to the benefit of the Parties and their respective successors and assigns.

Dated at The United Townships of Head, Clara & Maria, in the Province of Ontario, this (day), day of (month), 2019.

The United Townships of Head, Clara & Maria

\_\_\_\_\_  
Debbi Grills, Mayor

(seal)

\_\_\_\_\_  
Township Administrator

\_\_\_\_\_  
Gregory Bowes, CEO – Northern Graphite Corporation  
I have the authority to bind the corporation

DRAFT