

PURCHASE AGREEMENT

BETWEEN:

DONALD MCKINNON

- and -

GORDON MCKINNON

- and -

RANDALL SALO

- and -

CANADIAN OREBODIES INC.

CONCERNING:

THE HAIG INLET IRON ORE DEPOSIT

PURCHASE AGREEMENT

THIS AGREEMENT, made effective as of the 13th day of February, 2011.

BETWEEN:

Donald McKinnon, an individual resident in the Province of Ontario ("**Donald**"),

- and -

Gordon McKinnon, an individual resident in the Province of Ontario ("**Gordon**"),

- and -

Randall Salo, an individual resident in the Province of Ontario ("**Randall**")

(Donald, Gordon and Randall collectively, the "**Sellers**" and each, an "**Seller**")

- and -

Canadian Orebodies Inc., a corporation existing under the laws of the Province of Ontario, (the "**Purchaser**" or "**Orebodies**")

(collectively, the "**Parties**" and each, a "**Party**").

RECITALS:

WHEREAS Donald and Gordon are the holders of a 100% recorded interest in the NTI Agreement, and are beneficial owners of a 90% interest in the NTI Agreement;

AND WHEREAS Randall is the beneficial owner of a 10% interest in the NTI Agreement, held in trust by Donald and Gordon pursuant to the Salo Agreement;

AND WHEREAS the Parties wish to enter into this Agreement in order to provide for the acquisition from the Sellers by the Purchaser of the 100% recorded and beneficial interest in the NTI Agreement for the consideration and upon the terms and conditions set forth herein;

AND WHEREAS the Parties acknowledge that Donald and Gordon are related parties of the Purchaser such that the matters contemplated herein constitute a related party transaction, and the Parties enter into this Agreement having considered the appropriate Applicable Laws in relation thereto.

NOW THEREFORE THIS AGREEMENT WITNESSES that for and in consideration of the mutual covenants and agreements herein contained, the Parties agree as follows:

ARTICLE 1 DEFINITIONS AND PRINCIPLES OF INTERPRETATION

1.1 Definitions

In this Agreement, unless the context otherwise requires, the following words and terms shall have the meaning given to such words and phrases below:

“Additional Area” means the areas in which the Purchaser has staked mineral dispositions, as more fully described in Schedule E attached hereto.

“Affiliate” means any corporation, company, partnership, joint venture or firm that controls, is controlled by, or is under common control with a Person. For purposes of this definition, “control” shall mean (a) in the case of corporate entities, direct or indirect ownership of more than 50% of the stock or shares entitled to vote for the election of directors; and (b) in the case of non-corporate entities, direct or indirect ownership of more than 50% of the equity interest with the power to direct the management and policies of such non-corporate entities.

“Agreement” means this Purchase Agreement, including all schedules, and all instruments supplementing, amending or confirming this Agreement and references to **“Article”** or **“Section”** are to the specified article or section of this Agreement.

“Applicable Law” means any applicable Canadian federal, provincial, territorial or local statute, regulation, rule, by-law, ordinance, order, policy or consent, including the common law, as well as any other enactment, treaty, official directive or guideline issued by a Governmental Authority and the terms and conditions of any permit, licence or similar document or approval issued by a Governmental Authority, and shall also include any order, judgment, decree, injunction, ruling, award or declaration, or other decision of whatsoever nature of a court, administrative or quasi-judicial tribunal, an arbitrator or arbitration panel or a Governmental Authority of competent jurisdiction that is not subject to appeal or that has not been appealed within the requisite time therefor and any rule, order, policy, guideline or requirement of the TSX Venture Exchange.

“Approval Date” means the date on which the later of (i) approvals are obtained pursuant to Section 3.5(a) and (ii) approval from NTI is obtained pursuant to Section 3.6.

“Business Day” means a day, other than a Saturday, Sunday or statutory holiday, on which the principal commercial banks located at Toronto, Ontario are open for business during normal banking hours.

“Closing” means the closing of the first tranche acquisition under Section 3.1(a), as more fully described in Article 4.

“Commencement of Commercial Production” means the earlier of: (i) the last day of the first sixty (60) day period during which Mineral Resources have been milled or processed at a rate, averaged over such sixty-day (60) period, of not less than sixty percent (60%) of the average

daily rate projected in a feasibility study; or (ii) the day on which product is first shipped from a mine site in reasonable commercial quantities. For greater certainty, the production or shipping of product resulting from pilot or test operations shall not be considered as Commencement of Commercial Production.

“**Confidentiality**” means to maintain in confidence and not to disclose the applicable information to third parties, and “**Confidential**” and “**Confidence**” shall have similar meanings.

“**Encumbrances**” means any pledge, lien, restriction, charge, security agreement, lease, conditional sale, title retention agreement, mortgage, encumbrance, assignment by way of or in effect as security, or any other security interest, and any option or adverse legal claim, demand or proceeding, of any kind or character whatsoever, and “**Encumber**” shall be construed accordingly.

“**Extended Area**” means (i) the Additional Area and (ii) any area or part thereof, lying within a distance of 10 kilometres from the external perimeter of the Property as constituted on the date of this Agreement, in which the Purchaser stakes or has staked any mineral dispositions at any time before or after the date hereof.

“**First Milestone Shares**” means Shares to be issued on a date after the completion of a technical report compliant with NI 43-101, which demonstrates at least 80,000,000 tonnes of Mineral Resources grading at least 23% iron within the Property and/or any Extended Area.

“**Governmental Authorities**” means all applicable Canadian federal, provincial or territorial and municipal agencies, boards, tribunals, ministries and departments.

“**Joint Venture Agreement**” shall have the meaning ascribed thereto in Section 3.1.

“**Licence**” means the land use licence Q10L2020 issued by the Qikiqtani Inuit Association to Gord and the Purchaser on August 5, 2010, attached hereto as Schedule C.

“**Milestone Shares**” means the First Milestone Shares and the Second Milestone Shares.

“**Mineral Resource**” means an “indicated mineral resource” or a “measured mineral resource” as such terms are defined in NI 43-101.

“**NI 43-101**” means National Instrument 43-101 of the Canadian Securities Administrators.

“**Non-Exercise Notice**” has the meaning ascribed thereto in Section 3.1.

“**NTI**” means Nunavut Tunngavik Incorporated, a corporation under the laws of Canada, with whom Donald and Gordon are a party to the NTI Agreement.

“**NTI Agreement**” means the Inuit Owned Lands Mineral Exploration Agreement attached hereto as Schedule A.

“Permitted Encumbrances” means:

- (a) easements, rights of way, servitude and similar rights in land including, but not limited to, rights of way and servitude for highways and other roads, railways, sewers, drains, gas and oil pipelines, gas and water mains, electric power, telephone, telegraph or cable television conduits, poles, wires and cables which are not material;
- (b) the right reserved to or vested in any Governmental Authority by the terms of any lease, licence, grant or permit forming part of the Property, or by any statutory provision, to terminate any such lease, licence, grant or permit or to require annual or other periodic payments as a condition of the continuance of them, as well as all other reservations, limitations, provisos and conditions in any original grant from Governmental Authorities;
- (c) the right of any Governmental Authority to levy taxes on minerals or the revenue therefrom and governmental restrictions on production rates on the operation of a mine on the Property, as well as all other rights vested in any Governmental Authority to control or regulate the Property pursuant to Applicable Laws;
- (d) any liens, charges or other Encumbrances:
 - (i) for taxes, assessments or governmental charges;
 - (ii) incurred, created and granted in the ordinary course of business to a public utility or Governmental Authority in connection with operations conducted with respect to the Property, but only to the extent those liens relate to costs for which payment is not due;
- (e) any other rights or Encumbrances consented to in writing by the Sellers or granted by the Sellers of the Canadian Securities Administrators; and
- (f) the Encumbrances, rights and interests contained in the NTI Agreement and Licence.

“Person” means any individual, sole proprietorship, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, company, corporation or other body corporate, union, Governmental Authority and a natural person in his capacity as trustee, executor, administrator, or other legal representative.

“Press Release” shall have the meaning ascribed thereto in Section 10.4 hereof.

“Property” means the Exploration Area (as such term is defined in the NTI Agreement), which is the subject matter of the NTI Agreement.

“Royalty” means a three percent (3%) gross overriding royalty (**“GOR”**) calculated and payable in accordance with the Royalty Agreement.

“**Royalty Agreement**” means the royalty agreement to be entered into to evidence the grant of the Royalty, in the form specified in Schedule B.

“**Salo Agreement**” means the agreement entered into on February 13th, 2011 between the Sellers regarding, inter alia, Randall’s 10% beneficial interest in the NTI Agreement.

“**Second Milestone Shares**” mean Shares to be issued at any time after the completion of a technical report compliant with NI 43-101 which demonstrates at least 200,000,000 tonnes, which includes the 80,000,000 tonnes comprising the threshold for the First Milestone Shares, of Mineral Resources grading at least 23% iron within the Property and/or any part of the Extended Area.

“**Share**” means a common share in the Purchaser.

“**Successors**” means successors and includes any successor continuing by reason of amalgamation or other reorganization and any Person to which assets are transferred by reason of a liquidation, dissolution or winding-up.

“**Tax**” means all forms of taxation, withholdings, duties, imposts, levies, social insurance contributions and rates imposed, assessed or enforced by any Governmental Authority.

1.2 Schedules

The following Schedules to this Agreement, as listed below, are an integral part of this Agreement:

| <u>Schedule</u> | <u>Description</u> |
|-----------------|---|
| Schedule A | The Property/NTI Agreement |
| Schedule B | Form of Royalty Agreement |
| Schedule C | The Licence |
| Schedule D | Principles of the Joint Venture Agreement |
| Schedule E | Additional Area |

ARTICLE 2 REPRESENTATIONS AND WARRANTIES

2.1 Representations and Warranties of the Sellers

Donald and Gordon represent and warrant to the Purchaser as follows:

- (a) Donald and Gordon are the sole recorded holders of a 100% interest in the NTI Agreement and the beneficial owners of a 90% interest in the NTI Agreement, free and clear of all Encumbrances other than the Permitted Encumbrances;

- (b) Donald and Gordon have provided to the Purchaser all material details relating to the Property and Extended Area in their possession.

Randall represents and warrants to the Purchaser as follows:

- (c) Randall is the beneficial owner of a 10% interest in the NTI Agreement;
- (d) Randall has provided to the Purchaser all material details relating to the Property and Extended Area in his possession.

2.2 Representations and Warranties of the Parties

Each Party represents and warrants to the other as follows:

- (a) in the case of the Purchaser, it is a corporation duly incorporated and validly existing under the laws of its jurisdiction of incorporation, amalgamation or continuance, as the case may be, and has all necessary corporate power, authority and capacity to own its property and assets and to carry on its business as presently conducted;
- (b) in the case of each of the Sellers, each is of the full age of majority and is legally competent to execute this Agreement and take all action pursuant hereto;
- (c) except as otherwise contemplated herein, the execution, delivery and performance of this Agreement does not, and the fulfillment and compliance with the terms and conditions hereof by such Party and the consummation of the transactions contemplated hereby will not, conflict with any of, or require the consent or waiver of rights of any Person, nor to the best of such Party's knowledge do or will any of the foregoing:
 - (i) violate any provision of or require any consent, authorization or approval under any Applicable Law;
 - (ii) conflict with, result in a breach of, constitute a default under (whether with notice or the lapse of time or both), accelerate or permit the acceleration of the performance required by, or require any consent, authorization or approval which has not been obtained under, any agreement or instrument to which such Party is a party or by which such Party is bound or to which any of the property of such Party is subject, or in the case of the Purchaser, require the consent or waiver of rights of any Person under its constating documents or by-laws; or
 - (iii) result in the creation of any Encumbrance upon the interest of such Party in the NTI Agreement in the case of each of the Sellers;
- (d) such Party has all necessary power, authority and capacity to enter into this Agreement and to carry out its or his obligations under this Agreement and the execution and delivery of this Agreement and the consummation of the

transactions contemplated in this Agreement have been duly authorized by all necessary action on its or his part;

- (e) this Agreement constitutes a valid and binding obligation of such Party, enforceable against such Party in accordance with the terms of this Agreement, subject, however, to limitations with respect to enforcement imposed by law in connection with bankruptcy or similar proceedings and to the extent that equitable remedies such as specific performance and injunction are in the discretion of the court from which they are sought; and
- (f) such Party has not incurred any liability, contingent or otherwise, for brokers' or finders' fees in respect of the transactions contemplated herein.

No investigations made by or on behalf of a Party at any time shall have the effect of waiving, diminishing the scope of, or otherwise affecting, any representation or warranty made by the other Party in or pursuant to this Agreement. No waiver by a Party of any condition or other provision, in whole or in part, shall constitute a waiver of any other condition or provision.

2.3 Nature and Survival

The representations and warranties contained in this Article 2 shall continue in full force and effect after execution of the Agreement for a period of 2 years from the date of execution of this Agreement.

ARTICLE 3 SALE AND PURCHASE

3.1 Sale and Purchase

The Sellers hereby sell to the Purchaser the entire 100% legal and beneficial interest in the NTI Agreement in the following tranches, free and clear of all Encumbrances other than the Permitted Encumbrances subject to the provisions of this Agreement. The Purchaser shall issue and deliver to the Sellers, securities of the Purchaser in the amounts and by the dates indicated, subject to applicable hold periods, and upon such issuance and deliverance the Parties shall hold the title to the NTI Agreement as follows:

- (a) The first tranche acquisition: 1,350,000 Shares to each of Donald and Gordon and 300,000 Shares to Randall, to be issued on the date of Closing upon which: (i) the Purchaser shall hold a 10% recorded and beneficial interest in the NTI Agreement, (ii) Donald and Gordon shall each hold a 40.5% recorded and beneficial interest in the NTI Agreement, and (iii) Randall shall hold a 9% recorded and beneficial interest in the NTI Agreement;
- (b) The second tranche acquisition: 1,800,000 Shares to each of Donald and Gordon, and 400,000 Shares to Randall, to be issued on the first anniversary of the date of Closing upon which: (i) the Purchaser shall hold a 25% recorded and beneficial interest in the NTI Agreement, (ii) Donald and Gordon shall each hold a 33.75% recorded and beneficial interest in the NTI Agreement, and (iii) Randall shall hold a 7.5% recorded and beneficial interest in the NTI Agreement; and

- (c) The third tranche acquisition: 3,150,000 Shares to each of Donald and Gordon, and 700,000 Shares to Randall, to be issued on the second anniversary of the date of Closing upon which the Purchaser shall hold title to the 100% recorded and beneficial interest in the NTI Agreement.

The Parties shall execute and deliver on Closing a joint venture agreement (the “**Joint Venture Agreement**”) incorporating (i) the principles contained herein, (ii) the principles set forth in Schedule D, and (iii) such other terms and conditions as are normally contained in such agreements or as are advisable for the operation and management of such joint venture.

The Purchaser shall not be obligated to complete the second tranche or third tranche acquisition(s), by electing to provide written notice (the “**Non-Exercise Notice**”) to each of the Sellers at any time following Closing, but not less than 60 days prior to either (i) the first anniversary of the date of Closing in respect of the second tranche acquisition, or (ii) the second anniversary of the date of Closing in respect of the third tranche acquisition, as the case may be. In the event that the Purchaser issues such a Non-Exercise Notice, the Purchaser shall continue to act as the “operator” under the Joint Venture Agreement until the first or second anniversary of the date of Closing, as the case may be, at which time this Agreement shall terminate in accordance with Section 8.5.

3.2 Milestone Shares

Notwithstanding the issuances of Shares pursuant to Section 3.1, the Purchaser covenants to issue and deliver to the Sellers the following securities of the Purchaser in the amounts and by the dates indicated, subject to applicable hold periods:

- (a) if the Purchaser has acquired a 100% interest in the NTI Agreement, 3,150,000 First Milestone Shares to each of Donald and Gordon, to be issued as soon as reasonably practical after (i) completion of a technical report compliant with NI 43-101, which demonstrates at least 80,000,000 tonnes of Mineral Resources grading at least 23% iron within the Property and/or any Extended Area, and (ii) TSX Venture Exchange approval is obtained in respect of such issuance of First Milestone Shares;
- (b) if the Purchaser has acquired a 100% interest in the NTI Agreement, 3,150,000 Second Milestone Shares to each of Donald and Gordon, to be issued as soon as reasonably practical after (i) completion of a technical report compliant with NI 43-101, which demonstrates at least 200,000,000 tonnes which includes the 80,000,000 tonnes comprising the threshold for the First Milestone Shares, of Mineral Resources grading at least 23% iron within the Property and/or any Extended Area, and (ii) TSX Venture Exchange approval is obtained in respect of such issuance of Second Milestone Shares;
- (c) if the Purchaser has acquired a 100% interest in the NTI Agreement, 700,000 First Milestone Shares to Randall, to be issued as soon as reasonably practical after (i) completion of a technical report compliant with NI 43-101, which demonstrates at least 80,000,000 tonnes of Mineral Resources grading at least 23% iron within the

Property and/or any Extended Area, and (ii) TSX Venture Exchange approval is obtained in respect of such issuance of First Milestone Shares; and

- (d) if the Purchaser has acquired a 100% interest in the NTI Agreement, 700,000 Second Milestone Shares to Randall, to be issued as soon as reasonably practical after (i) completion of a technical report compliant with NI 43-101, which demonstrates at least 200,000,000 tonnes (which includes the 80,000,000 tonnes of Mineral Resources comprising the threshold for the First Milestone Shares) of Mineral Resources grading at least 23% iron within the Property and/or any Extended Area, and (ii) TSX Venture Exchange approval is obtained in respect of such issuance of Second Milestone Shares.

If the Purchaser has not acquired a 100% interest in the NTI Agreement at the time any Milestone Shares are to be issued, the Purchaser covenants to issue to the relevant Seller the percentage of such Milestone Shares equal to the Purchaser's pro-rata interest in the NTI Agreement at the relevant time. By way of example, if the Purchaser holds title to a 25% interest in the NTI Agreement at the time that First Milestone Shares are to be issued, the Purchaser is required to issue 787,500 First Milestone Shares to each of Donald and Gordon, and 175,000 First Milestone Shares to Randall.

3.3 Securities Generally

The Purchaser may accelerate any or all securities issuances and any and all excess securities issued shall be carried forward and applied as a credit against securities issuances that the Purchaser may elect to make in the next succeeding period or periods.

Each certificate representing such securities shall bear the following legends:

“Unless permitted under securities legislation, the holder of this security must not trade the security before [insert the date that is 4 months and a day after the distribution date].”

“Without prior written approval of the 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 [insert date].”

3.4 Grant of Royalty

In addition to the consideration payable to the Sellers pursuant to Section 3.1, the Purchaser shall enter into and deliver to each of the Sellers the Royalty Agreement on the date of Closing.

3.5 Purchaser Approvals

- (a) The Purchaser covenants to apply for and use commercially reasonable efforts to obtain: (i) TSX Venture Exchange approval; (ii) approval of the independent directors of the Purchaser; and (iii) disinterested shareholder approval of this

Agreement and the Share and Milestone Share issuances contemplated hereby and all other matters contemplated herein promptly following execution of this Agreement, such that in any event the Approval Date shall not be later than 90 days following the date of execution of this Agreement.

- (b) The Purchaser covenants to apply for and use commercially reasonable efforts to obtain TSX Venture Exchange approval for issuance of the Milestone Shares upon completion of the relevant technical reports, and the Shares to be issued on the first and second anniversaries of Closing, as more fully described in Sections 3.1 and 3.2.

3.6 NTI Approval

Donald and Gordon covenant to apply for and shall use commercially reasonable efforts to obtain NTI approval of (i) the recording of Randall as a holder of recorded interest in the NTI Agreement, (ii) of this Agreement and (iii) all matters contemplated herein, such that in any event the Approval Date shall not be later than 60 days following the date of execution of this Agreement.

3.7 Purchaser's Rights and Obligations

- (a) The Purchaser and its employees, agents or nominees shall have from the date hereof, until the earlier of the execution and delivery of the Joint Venture Agreement or termination of this Agreement in accordance with Article 8 and subject to the Permitted Encumbrances, the NTI Agreement and the Licence; the sole and exclusive right as the representative and agent of the Sellers:
 - (i) to enter upon the Property;
 - (ii) to have exclusive and quiet possession thereof;
 - (iii) to explore, develop, drill and do such other mining work thereon and thereunder as it thinks advisable;
 - (iv) to remove from the Property and dispose of ores, concentrates, minerals and metals but only for the purpose of making assays or tests thereof, and
 - (v) to bring upon and/or erect in and upon the Property such mining plant, buildings, machinery, tools, appliances and/or equipment as may be deemed appropriate.
- (b) At its sole cost, the Purchaser covenants and agrees with the Sellers that, as the representative and agent of the Sellers as the case may be, until the earlier of the execution and delivery of the Joint Venture Agreement, or termination of this Agreement in accordance with Article 8:
 - (i) it shall cause to be done all things that may be required to keep the Property and the interests in the NTI Agreement in good standing and

shall carry out or cause to be carried out, filed and recorded sufficient assessment work to keep the Property and the interests in the NTI Agreement in good standing under Applicable Laws and the NTI Agreement;

- (ii) it will pay all accounts of every nature and kind for wages, supplies, workmen's compensation assessments and other amounts or indebtedness incurred by it in connection with any operations or work carried out by it on the Property as and when same become due and payable so that no claim or lien arises against the Property or the ores, concentrates, minerals and metals therein. Should any lien or liens be registered against the Property in consequence of any work done or material brought thereon by or on behalf of the Purchaser, the Purchaser shall forthwith take proceedings at its own expense to have such lien or liens removed. Provided always that should the Purchaser desire to dispute or contest such a claim for a lien or liens, it shall be entitled to do so but shall remove or have same removed within a reasonable time after the validity of the same shall have been finally determined and the Purchaser shall indemnify the Sellers and protect the Property and the interest in the NTI Agreement from and against all and any claims of any nature or kind which may hereafter be made in respect of any operations carried on by the Purchaser on the Property;
- (iii) it will conduct all exploration, development and mining operations in, on and under the Property in good and workmanlike manner in accordance with good mining and engineering practice and in compliance with all Applicable Laws, the NTI Agreement and the Licence, and without limiting the generality of the foregoing, it will in the event that this Agreement terminates in accordance with Article 8:
 - (1) leave the Property in a safe condition with all openings safeguarded in accordance with the provisions of Applicable Laws and the NTI Agreement; and
 - (2) remove all supplies, tools, appliances, plant, machinery, equipment and buildings which may have been brought or erected upon the Property in accordance with the provisions of Applicable Laws, the NTI Agreement and the Licence;
- (iv) it will deliver copies of all assessment reports and maps to the Sellers as the same become available and will permit the Sellers or its agents duly authorized in writing to enter upon the Property at any reasonable time to inspect the workings thereon and all assays, plans, maps, drill cores, records and other data in its possession relating to the work done by it on the Property, provided that such inspections shall not interfere with the work being carried out thereon by the Purchaser and shall be at the sole risk of the Sellers;

- (v) if this Agreement terminates pursuant to Article 8, it will upon the written request of the Sellers deliver to the Sellers all reports, maps, plans and particulars of exploration, development and mining work done in and under the Property, together with all assays, drill cores, records and other data and information in the Purchaser's possession relating to the exploration and development work and mining operations carried out by it on the Property; and
- (vi) it shall indemnify and save the Sellers harmless from all costs, losses and damages which may arise by reason of injury (including injury resulting in death) to any person, whether or not employed by it in or upon the Property, or damage done to any other property as a result of any work or operations by it on the Property;
- (vii) it shall pay any and all taxes, duties, assessments and rents payable in respect of the Property pursuant to the NTI Agreement and in respect of the Licence;
- (viii) it shall perform and observe all of the obligations and shall make all payments required to be performed, observed or paid by the Sellers under the NTI Agreement in the manner and within the time therein provided, shall keep the NTI Agreement in good standing, and shall not terminate the same or permit the rights and obligations granted thereunder to expire or be in default without giving the Sellers at least 90 days prior written notice.

Notwithstanding anything to the contrary contained in this Agreement, in the event that this Agreement is terminated, the provisions of clauses (ii), (iii), (v), (vi) and (viii) of this Section 3.7(b) shall survive and continue to apply.

3.8 Prohibition and Right of Approval

- (a) During the period prior to the later of execution and delivery of the Joint Venture Agreement or termination of this Agreement pursuant to Article 8:
 - (i) no Party shall sell, assign, or transfer all or any part of its interest in this Agreement without the prior written consent of each other Party, which consent shall not be unreasonably conditioned, delayed or withheld; and
 - (ii) no Party shall be entitled to Encumber its interest in this Agreement in any manner whatsoever;
- (b) Section 3.8(a) shall not apply to the following:
 - (i) a transfer by a Party of all or any part of its interest in this Agreement to an Affiliate or to another Party; or

- (ii) a corporate merger, consolidation, amalgamation, plan of arrangement or reorganization of the Purchaser by which the surviving entity shall be subject to all of the liabilities and obligations of the Purchaser hereunder;
- (c) Any permitted assignee of a Party shall, upon such assignment taking place, be deemed to be a Party as though the assignee had been an original signatory to this Agreement. Every Party, including such assignee, shall execute a novation or assignment agreement to evidence the assignee's commitments on such terms as they may reasonably agree, such agreement to be in a form satisfactory to the other Parties acting reasonably; and
- (d) In the event that the Purchaser sells, assigns or transfers all or any part of its interest in this Agreement pursuant to the terms hereof, the Sellers shall not be required to provide their consent to such sale, assignment or transfer unless the purchaser, assignee or transferee of such interest assumes the obligations of the Purchaser to issue securities of equivalent value, calculated by reference to five day volume weighted average price of such securities on the principal stock exchange on which they are traded, or, in the case where the securities of the purchaser, assignee or transferee are not posted for trading on a stock exchange, such purchaser, assignee or transferee agrees to pay the cash equivalent of the value of the securities that Orebodies would have been obliged to issue under the terms of this Agreement, calculated by reference to the five day volume weighted average price of the Orebodies common shares on the TSX Venture Exchange at the time of such payment, and the Purchaser shall not be released from its obligations hereunder without the express consent of Sellers, such consent not to be unreasonably withheld.

ARTICLE 4 CLOSING

4.1 Time and Place

Subject to the terms and conditions hereof, the transaction contemplated by Section 3.1(a) will be completed and closed within 90 days of the execution of this Agreement or such later date as the parties may agree, at 10:00 a.m. Ontario time at the offices of the Purchaser or such other time and place as the parties may agree on the date of the Closing.

4.2 Deliveries at the Closing

- (a) The Purchaser will deliver to the Sellers those Shares to be issued on the date of Closing pursuant to Section 3.1(a), the executed Royalty Agreement to be delivered pursuant to Section 3.3, the executed Joint Venture Agreement, and evidence of the approvals the Purchaser is required to obtain pursuant to Section 3.5(a).
- (b) Donald and Gordon will deliver to the Purchaser evidence of the NTI approval which is required pursuant to Section 3.6.

- (c) Donald and Gordon will deliver to the Purchaser and Randall such additional duly executed documentation as NTI may make available or which the Purchaser and/or Randall may reasonably specify to effect and record the transfer of the 10% recorded and beneficial interest in the NTI Agreement in the Purchasers' name, including if required an undertaking to the Purchaser and Randall (in a form to be agreed by the Parties) to use commercial best efforts to procure a new form of NTI Agreement which provides the recorded and beneficial interests of the Parties in the NTI Agreement as at the date of Closing.
- (d) Upon the closing of each of the second tranche and third tranche, as outlined in Sections 3.1(b) and 3.1(c), Donald and Gordon and Randall will deliver to Orebodies such further evidence of NTI approval and such further executed documentation of the type contemplated by Section 4.2(c) as the Purchaser may reasonably specify.

4.3 Conditions to Closing of the Purchaser

The obligations of the Purchaser to complete the transactions provided for in this Agreement at the Closing are subject to the fulfillment of the following conditions at the times specified:

- (a) the representations and warranties of the Sellers contained herein will be true and accurate and not misleading in any material respect as at the Closing with the same effect as if such representations and warranties had been made at the Closing;
- (b) the Sellers will each have complied with or performed all of the terms, covenants and conditions contained in this Agreement which are to be complied with or performed by each of them, respectively, on or before the Closing;
- (c) prior to the Closing, the Parties will have obtained all required approvals described in Sections 3.5(a) and 3.6;
- (d) the Purchaser will have received at Closing executed copies of the Royalty Agreement and Joint Venture Agreement; and
- (e) Donald and Gordon will have delivered to the Purchaser the documents referred to in Section 4.2 (c), above, as at the date of Closing.

4.4 Waiver of Conditions by the Purchaser

The conditions contained in Section 4.3 are inserted for the exclusive benefit of the Purchaser and may be waived in whole or in part by the Purchaser at any time without prejudice to the right of the Purchaser to rely on all covenants, agreements, representations and warranties in this Agreement, except to the extent so waived in writing by the Purchaser.

4.5 Conditions to Closing of the Sellers

The respective obligations of the Sellers to complete the transactions provided for in this Agreement at the Closing are subject to the fulfillment of the following conditions at the times specified:

- (a) the representations and warranties of the Purchaser contained herein will be true and accurate and not misleading in any material respect as at the Closing with the same effect as if such representations and warranties had been made at the Closing;
- (b) the Purchaser will have complied with or performed all of the terms, covenants and conditions contained in this Agreement which are to be complied with or performed by it on or before the Closing;
- (c) prior to Closing, the Parties will have obtained all required approvals described in Sections 3.5(a) and 3.6; and
- (d) the Sellers will have received at the Closing the Shares described in Section 3.1(a) and executed copies of the Royalty Agreement and Joint Venture Agreement.

4.6 Waiver of Conditions by the Sellers

The conditions contained in Section 4.5 are inserted for the exclusive benefit of the Sellers and may be waived in whole or in part by the Sellers at any time without prejudice to their rights to rely on all covenants, agreements, representations and warranties in this Agreement, except to the extent so waived in writing by the Sellers.

ARTICLE 5 SECTION 85 INCOME TAX ACT (CANADA)

5.1 The Purchaser agrees to enter into at the request of each Seller upon the closing of each of the tranches specified in Section 3.1(a), (b) and (c), a joint election under subsection 85(1) of the *Income Tax Act* (Canada) by the Purchaser and such Seller, specifying an agreed amount in respect of the NTI Agreement as may be determined by the Seller and shall be in compliance with the provisions of such subsection. Such election shall be duly completed and filed in the manner and within the time required under section 85 of the *Income Tax Act* (Canada).

ARTICLE 6 TECHNICAL REPORTS

6.1 Only if the Purchaser has acquired a 100% interest in the NTI Agreement, the Purchaser covenants to commission and deliver to each of the Sellers in respect of the Property and/or any Extended Area, an initial technical report compliant with NI 43-101 on or before the fourth anniversary of the date of Closing, in connection with the First Milestone Shares.

6.2 Only if the Purchaser has acquired a 100% interest in the NTI Agreement, the Purchaser covenants to commission and deliver to each of the Sellers in respect of the Property and/or any Extended Area, a second technical report compliant with NI 43-101 on or before the 10th

anniversary of the date of Closing, in connection with the First Milestone Shares and/or the Second Milestone Shares.

ARTICLE 7 TRANSFER OF INTERESTS

7.1 Prohibition

Subject to Section 7.3, from the date hereof until any time prior to Closing, a Party is prohibited from selling any or all of its interest in this Agreement and no party shall be entitled to Encumber its interest in this Agreement in any manner whatsoever.

7.2 Transfer Post-Closing

If at any time after Closing a Seller desires to sell its entire interest in this Agreement, it shall be required to sell its concurrent interest in the Joint Venture Agreement and is required to first offer to sell such interest to the other Parties on the terms and conditions contained in the Joint Venture Agreement.

The Purchaser is prohibited from selling any or all of its interests in this Agreement following Closing but prior to the second anniversary of the date of Closing. In the event that the Purchaser no longer wishes to retain an interest in the NTI Agreement following Closing but prior to the second anniversary of the date of Closing, the Purchaser will be required to first issue a Non-Exercise Notice in accordance with Section 3.1, such that (i) this Agreement terminates in accordance with Section 8.5, and (ii) the Purchaser may sell its interest in the NTI Agreement in accordance with the terms of the Joint Venture Agreement

7.3 Sale by Randall

If Randall proposes to sell his entire interest in this Agreement and the Joint Venture Agreement at any time after Closing but prior to the second anniversary of the date of Closing, Donald and Gordon shall have the first right to purchase such interests in accordance with the Salo Agreement. If Donald and Gordon do not acquire Randall's interest in this Agreement pursuant to the Salo Agreement and Randall continues to propose to sell his interest in this Agreement and the Joint Venture Agreement, the transfer provisions contained in the Joint Venture Agreement shall apply.

ARTICLE 8 TERMINATION AND INDEMNIFICATION

8.1 Termination for breach of this Agreement

If:

- (a) the Purchaser fails to cause to be done all things that may be required to keep the Property and the interests in the NTI Agreement and Licence in good standing;
- (b) the Purchaser fails to carry out or cause to be carried out, filed and recorded sufficient assessment work to keep the Property and the interests in the NTI Agreement in good standing under Applicable Laws and the NTI Agreement;

- (c) the Purchaser fails to conduct itself in accordance with good mining and engineering practice, and in compliance with all Applicable Laws, the NTI Agreement and the Licence; or
- (d) in the reasonable opinion of the Sellers, the Purchaser causes or permits a material breach of this Agreement to occur,

the Sellers may give 14 days notice to the Purchaser of the termination of this Agreement.

8.2 Termination upon Issuance of the Milestone Shares

This Agreement shall terminate on the issuance of the Milestone Shares, pursuant to Section 3.2, such that the remaining interest in the Property held by the Sellers shall be the Royalty pursuant to the Royalty Agreement.

8.3 Indemnification for Termination

- (a) If this Agreement is terminated pursuant to Section 8.1, the Purchaser shall severally indemnify the Sellers from all liability, however arising in respect of all debts, liabilities, costs and obligations of every kind and nature, including damage to the Property and any Extended Area, arising out of or related to the conduct of activities by or on behalf of the Purchaser (i) on the Property and any Extended Area, (ii) in respect of the NTI Agreement, or (iii) causing such termination.
- (b) The Purchaser shall severally indemnify the Sellers for any loss of interest in the NTI Agreement or Licence, including loss of profit, loss of any contract or for an indirect or consequential loss or damage which may be suffered by the Sellers in connection with any breach of this Agreement resulting in its termination pursuant to Section 8.1.

8.4 Termination for not Closing.

If the Parties (i) are unable to obtain the necessary approvals pursuant to Section 3.5(a) or 3.6 and no waivers by the relevant Parties are obtained in respect thereof, (ii) fail to agree and execute a Joint Venture Agreement, or (iii) fail to attain Closing within six months of the date hereof, the Purchaser or Sellers may notify the other Parties, this Agreement shall be terminated upon delivery of such notice.

8.5 Termination in case of a Non Exercise Notice.

If the Purchaser issues a Non-Exercise Notice, this Agreement shall terminate save for Sections 3.2, 3.3, 3.5(b), 3.7(b) and Article 9 and 10, and for the avoidance of doubt, the Royalty Agreement and Joint Venture Agreement will remain in full force and effect.

ARTICLE 9 CONFIDENTIALITY AND INFORMATION

9.1 Confidentiality of Information

All information provided to or received by the Parties hereunder shall be treated as Confidential (“**Confidential Information**”). The Sellers shall each solicit the consent of the other to the disclosure of Confidential Information in circumstances other than those set forth in Section 9.2 and such consent shall not be unreasonably withheld or delayed.

9.2 Permitted Disclosure

The consent required by Section 9.1 shall not apply to any disclosure to:

- (a) comply with any Applicable Laws, stock exchange rules or a regulatory authority having jurisdiction;
- (b) a director, officer or employee of a Party;
- (c) an Affiliate of a Party;
- (d) a consultant, contractor or subcontractor of a Party that has a *bona fide* need to be informed;
- (e) any third party to whom the disclosing Party may assign any of its rights under this Agreement; or
- (f) a party from which the disclosing Party is seeking equity or debt financing,

provided, however, that in the case of Sections 9.2(e) and (f) the third party or parties, as the case may be, agree to maintain in Confidence for a period of not less than two years with respect to any of the Confidential Information so disclosed to them pursuant to a written Confidentiality agreement containing terms no less strict than those contained in this Article.

9.3 Exception

The obligations of Confidence and prohibitions against use under this Agreement shall not apply to information that the disclosing Party can show by reasonable documentary evidence or otherwise:

- (a) as of the date hereof, was in the public domain;
- (b) after the date hereof, was published or otherwise became part of the public domain through no fault of the disclosing party or an Affiliate thereof (but only after, and only to the extent that, it is published or otherwise becomes part of the public domain);
- (c) was information that the disclosing party or its Affiliates were required to disclose pursuant to Applicable Laws.

9.4 Joint Press Release

The Sellers and the Purchaser acknowledge that the Purchaser has an obligation to disclose, inter alia, a summary of the terms and conditions of this Agreement to its shareholders pursuant to Applicable Laws (“**Press Release**”).

ARTICLE 10 GENERAL

10.1 Rules of Interpretation

In this Agreement and the Schedule:

- (a) time is of the essence in the performance of the Parties’ respective obligations;
- (b) unless otherwise specified, all references to money amounts are to Canadian currency;
- (c) the descriptive headings of Articles and Sections are inserted solely for convenience of reference and are not intended as complete or accurate descriptions of content and shall not be used to interpret the provisions of this Agreement;
- (d) the use of words in the singular or plural, or with a particular gender, shall not limit the scope or exclude the application of any provision of this Agreement to such person or persons or circumstances as the context otherwise permits;
- (e) unless otherwise specified, time periods within or following which any payment is to be made or act is to be done shall be calculated by excluding the day on which the period commences and including the day on which the period ends and by extending the period to the next Business Day following if the last day of the period is not a Business Day. Whenever any payment is to be made or any action under this Agreement is to be taken on a day other than a Business Day, such payment shall be made or action taken on the next Business Day following;
- (f) the use of the words, “include” or “including” shall be deemed to mean “include, without limitation”, or “including, without limitation”, if applicable.

10.2 Arbitration

(a) In the event of a dispute in relation to this Agreement, including, without limitation, the existence, validity, performance, breach or termination thereof, or any matter arising therefrom, including whether any matter is subject to arbitration, the Parties agree to negotiate diligently and in good faith in an attempt to resolve such dispute. Submission to arbitration under this Section 10.2 shall be a condition precedent to bringing any action with respect to such dispute.

(b) Failing resolution satisfactory to either Party, either Party may request that the dispute be resolved by binding arbitration, conducted in English, in Toronto, Ontario. The

Arbitration Act 1991 (Ontario), as may be amended from time to time, shall apply to such proceedings.

(c) To demand arbitration any Party (the “**Demanding Party**”) shall give written notice to the other Party (the “**Responding Party**”), which notice shall toll the running of any applicable limitations of actions by law or under this Agreement. Such notice shall specify the nature of the allegation and issues in dispute, the amount or value involved (if applicable) and the remedy requested.

10.3 Entire Agreement

This Agreement, including the Schedules to this Agreement, together with the agreements and other documents to be delivered pursuant to this Agreement, constitute the entire agreement between the Parties pertaining to the subject matter hereof and supersede all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties, and there are no warranties, representations or other agreements between the Parties in connection with the subject matter hereof except as specifically set forth in this Agreement and in any agreement or document delivered pursuant to this Agreement. No supplement, modification or waiver or termination of this Agreement shall be binding unless executed in writing by the Party to be bound thereby.

10.4 Applicable Law

This Agreement shall be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable in the Province of Ontario and shall be treated, in all respects, as an Ontario contract.

10.5 Expenses

Except as otherwise provided, all expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the Party incurring them.

10.6 Notices

Any notice or writing required or permitted to be given under this Agreement or any communication otherwise made in respect of this Agreement (referred to in this Section as a “**Notice**”) shall be sufficiently given if delivered or transmitted by facsimile:

(a) In the case of a notice to Donald at:

3130 Airport Rd., Box 1130
Timmins, ON P4N 7H9
T: 705.268.8822
F: 705.268.5532
E: mck@vianet.ca

(b) in the case of a notice to Gordon at:

520 - 141 Adelaide St. W.
Toronto, ON M5H 3L5
T: 416.644.1747
E: gordmckinnon@gmail.com

- (c) in the case of a notice to Randall at:

88 Father Costello Drive
Box 162
Schumacher, ON P0N1G0
T: 1.705.363.1188
E: salorw@hotmail.com

- (d) in the case of a notice to the Purchaser at:

141 Adelaide St. W. Suite 520
Toronto, ON M5H 3L5
T: 416.6441747
F: 416.364.2753
E: gmckinnon@canadianorebodies.com

or at such other address as the Party to whom such Notice is to be given shall have last notified the Party giving the same, in the manner provided in this Section. Any Notice delivered to the Party to whom it is addressed as provided in this Section shall be deemed to have been given and received on the day it is so delivered at such address, provided that if such day is not a Business Day then the Notice shall be deemed to have been given and received on the Business Day next following such day. Any Notice transmitted by facsimile or other form of electronic communication shall be deemed given and received on the first Business Day after its transmission.

10.7 Assignment and Successors

The following apply with respect to assignment and Successors:

- (a) this Agreement is binding upon and shall enure to the benefit of the Parties and their respective Successors and permitted assignees;
- (b) neither Party may assign its rights hereunder to a third party without the prior written consent of the other Party;
- (c) any assignment by a Party (an “**Assigning Party**”) of its obligations hereunder to a third party (the “**Assignee**”) in accordance with the terms hereof shall be subject to the written assumption and acknowledgement (in such form as shall be acceptable to the other Party hereto, acting reasonably) (the “**Assumption**”) by the Assignee of all rights and obligations of the Assigning Party hereunder as if the Assignee had been an original party hereto in place and stead of the Assigning Party. Upon execution and delivery of the Assumption by the Assignee, the Assigning Party shall have no further rights, obligations or liability hereunder.

Notwithstanding subsection 10.7(b) above, either Party may assign its rights and obligations under this Agreement to an Affiliate of such Party without the consent of the other Party hereto provided that the provisions of subsection 10.7(c) shall apply to any such assignment.

10.8 Approvals

Notwithstanding any other provision hereof, the effectiveness of this Agreement shall be subject to the prior obtaining of all NTI approvals and TSX Venture Exchange approvals that are necessary for the parties to perform their obligations hereunder and the approval of this Agreement by (i) the independent directors and (ii) the disinterested shareholders of the Purchaser. A Party shall advise each of other Party upon each such approval being obtained.

10.9 Further Assurances

Subject to the terms and conditions of this Agreement, the Sellers and the Purchaser will use all reasonable efforts to take, or cause to be taken, all actions, and to do, or cause to be done, all things necessary, proper or advisable under Applicable Laws to carry out all of their respective obligations under this Agreement and to consummate the transactions contemplated by this Agreement, and from time to time, without further consideration, each Party will, at its own expense, execute and deliver such documents to any other Party as such Party may reasonably request in order to consummate the transactions contemplated by this Agreement. Each of the Parties agrees to take all such actions as are within its power to control, and to use reasonable commercial efforts to cause other actions to be taken which are not within its power to control, so as to ensure compliance with each of the conditions and covenants set forth in this Agreement which are for the benefit of any other Party.


10.10 Execution in Counterparts and by Facsimile

This Agreement may be executed by the Parties in separate counterparts and by facsimile, and each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute one and the same instrument.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF the Parties have hereto duly executed this Purchase Agreement as of the date first written above, with the understanding that this Agreement is subject to regulatory approval, NII approval, approval from the disinterested shareholders of the Purchaser and approval by the Purchaser's independent directors.

CANADIAN OREBODIES INC.

Per: 
Name: GORDON ~~PER~~
Title: DIRECTOR

Per: _____
GORDON MCKINNON

Per: _____
DONALD MCKINNON

Per: _____
RANDALL SALO

IN WITNESS WHEREOF the Parties have hereunto duly executed this Purchase Agreement as of the date first written above, with the understanding that this Agreement is subject to regulatory approval, NTI approval, approval from the disinterested shareholders of the Purchaser and approval by the Purchaser's independent directors.

CANADIAN OREBODIES INC.

Per: _____
Name:
Title:

Per: _____
GORDON MCKINNON

Per: 
_____ **DONALD MCKINNON**

Per: _____
RANDALL SALO

IN WITNESS WHEREOF the Parties have hereunto duly executed this Purchase Agreement as of the date first written above, with the understanding that this Agreement is subject to regulatory approval, NTI approval, approval from the disinterested shareholders of the Purchaser and approval by the Purchaser's independent directors.

CANADIAN OREBODIES INC.

Per: _____

Name:

Title:

Per:  _____

GORDON MCKINNON

Per: _____

DONALD MCKINNON

Per: _____

RANDALL SALO

IN WITNESS WHEREOF the Parties have hereunto duly executed this Purchase Agreement as of the date first written above, with the understanding that this Agreement is subject to regulatory approval, NTI approval, approval from the disinterested shareholders of the Purchaser and approval by the Purchaser's independent directors.

CANADIAN OREBODIES INC.

Per: _____
Name:
Title:

Per: _____
GORDON MCKINNON

Per: _____
DONALD MCKINNON

Per: 
_____ **RANDALL SALO**

SCHEDULE A
THE PROPERTY/NTI AGREEMENT

Agreement Number SQ05-002, Haig Inlet Iron Project, made as of October 1, 2010, between Nunavut Tunngavik Incorporated, Donald McKinnon and Gordon McKinnon.

SCHEDULE B
GROSS OVERRIDE ROYALTY

**SCHEDULE C
THE LICENCE**

SCHEDULE D
KEY PRINCIPLES OF THE JOINT VENTURE AGREEMENT

Unless defined in this Agreement, capitalized terms contained in the Schedule D shall be defined in the Joint Venture Agreement. The Joint Venture shall incorporate the following key principles, along with other terms and conditions customary in joint venture agreements.

INTERESTS OF PARTICIPANTS

The initial "Participating Interest" of the "Participants" to the Joint Venture Agreement shall be as follows:

| | |
|------------|-------|
| Purchaser: | 10% |
| Gord: | 40.5% |
| Donald: | 40.5% |
| Randall: | 9% |

Participating interests shall be subject to alteration pursuant to (i) the Purchase Agreement, (ii) upon election by a Participant to contribute less to an adopted "Program and Budget" than the percentage equal to its Participating Interest, (iii) upon "Transfer" by any of the Participants of part or all of its Participating Interest, and (iv) upon acquisition by any of the Participants of part or all of the Participating Interest of another Participant.

THE PURCHASER AS OPERATOR PRIOR TO NON-EXERCISE NOTICE

The Purchaser shall act as "Operator" under the Joint Venture Agreement until such time as it issues a Non-Exercise Notice pursuant to the Purchase Agreement. On issuance of such a Non-Exercise Notice, the Purchaser shall remain as Operator until the first or second anniversary of the date of Closing (as the case may be) or such time as the Parties may agree, at which point Gord and Donald shall become joint-Operators or shall have right to appoint their nominee to act as Operator. The Parties shall take such steps as are required in good faith in order to provide for an orderly handover of operatorship and the duties of the Operator under the Joint Venture Agreement.

The Operator shall manage, direct and control all "Operations" which are to be discharged in accordance with adopted Programs and Budgets decided upon by the Operator and notified to the other Participants. All costs and expenditures incurred by the Purchaser as Operator shall be for the account of the Operator. Until such time as the Purchaser has issued a Non-Exercise Notice, all costs and expenditures to be incurred by the Operator in carrying out the Operations shall be for the account of the Purchaser as Operator.

The Operator shall be responsible for maintaining the Property in good standing and assuring compliance with the NTI Agreement, the Licence and Applicable Laws. The Operator shall keep and maintain all required accounting and financial records in accordance with good industry

practice, Applicable Laws and the NTI Agreement. The other Participants shall have audit rights with respect to such records.

THE OPERATOR POST NON-EXERCISE NOTICE

If the Purchaser has issued a Non-Exercise Notice, the Purchaser as Operator shall continue to incur all costs and expenditures to be incurred by the Operator in carrying out the Operations until the first or second anniversary of the date of Closing (as the case may be) at which point the Purchaser shall cease to be the Operator, and all such costs and expenditures shall be based on approved Programs and Budgets and charged to the Participants by way of cash calls described below.

If the Purchaser is no longer the Operator, Gord and Donald as joint-Operators or their nominee shall manage, direct and control "Operations" which are to be discharged in accordance Programs and Budgets adopted by the Management Committee".

The Operator shall be responsible for maintaining the Property in good standing and assuring compliance with the NTI Agreement, the Licence and Applicable Laws. The Operator shall keep and maintain all required accounting and financial records in accordance with good industry practice, Applicable Laws and the NTI Agreement. The Participants shall have audit rights with respect to such records.

The Operator shall keep the Management Committee advised of all Operations by submitting in writing quarterly progress reports, outlining activities and expenditures against agreed Programs and Budgets.

The adopted Programs and Budgets shall include reference to costs of the Operator, and the Operator will only be entitled to the actual costs and expenses incurred and adopted in the relevant Program and Budget and will not be entitled to any mark-up on such costs and expenses.

THE MANAGEMENT COMMITTEE

At such time as Donald and Gordon or their nominee is the Operator, a Management Committee will be responsible for approving and adopting Programs and Budgets and for determining the general policies and directions to be adopted by the Operator. Each Participant shall nominate one (1) member to act as its representative on the Management Committee. Each Participant, acting through its appointee, shall have the votes on the Management Committee in proportion to its Participating Interest. Decisions shall be made with the approval of such number of members as represent Participants holding 50% or more of the Participating Interests, and in the event of a tie, the Participant which is the then Operator shall have the right to a cast a deciding vote. No matters shall require a supermajority vote of Participants.

The Management Committee shall hold regular meetings at least quarterly in **Toronto**, or at other agreed places, with the Operative providing not less than 30 days notice to the other Participants, and the Participants shall be entitled to call a special meeting upon 7 days notice to

the other Participants. A quorum will exist if Participants holding at least 51% of the Participating Interest are in attendance, provided that if a quorum fails to be achieved in two consecutive properly called meetings, a quorum shall exist at the second meeting if Participants holding at least 25% of the Participating Interests are in attendance. Each notice of a meeting shall include an itemized agenda prepared by the Operator (or Participant / member in the case of a special meeting) along with all supporting documents. Members are permitted to attend meetings by telephone or video conferencing.

CASH CALLS POST NON-EXERCISE NOTICE

On the basis of each adopted Program and Budget, the Operator shall submit prior to the last day of each quarter a billing for estimated cash requirements for the next quarter. Within 20 days after receipt of each billing, each Participant shall advance its proportionate share of such cash requirements. A participant that has elected to participate but fails to meet cash calls in the amount and at the times to be specified shall be in default, and the amounts of the defaulted cash call shall bear interest, accruing to the benefit of and be payable to the non-defaulting Participants, but shall not be deemed as amounts contributed by the non-defaulting Participants in the event of dilution.

If a Participant elects not to fund his/its proportionate share of a cash call, or if a Participant fails to rectify such default within a reasonable period of time to be agreed, the defaulting Participant shall have its Participating Interest diluted using an industry standard formula. The Participating Interest of the other Participants shall be increased pro rata to their respective Participating Interest by the amount of the reduction in the defaulting Participant's Participating Interest. In no event will a Participant be entitled to compensation as a consequence of the dilution of its Participating Interest, even if such Participating Interest is extinguished in its entirety.

SALE / TRANSFER OF PARTICIPATING INTERESTS

If at any time one or more Participants desires to sell all of its Participating Interest for a specified price payable in cash, the selling Participant shall be free to sell such Participating Interest to any Person only if the selling Participant has first offered or caused to be offered its Participating Interest to other Participants and the other Participants have either declined or failed to purchase all of the Participating Interest. Donald and Gordon shall have the first offer to purchase and proposed sale by Randall of hit Participating Interest.

Termination

The Joint Venture Agreement shall terminate when a Participant shall have a 100% Participating Interest.

**SCHEDULE E
ADDITIONAL AREA**