

Q-GOLD RESOURCES LTD.

- and -

CADMAN RESOURCES INC.

PROPERTY OPTION AGREEMENT

March 1, 2012

TABLE OF CONTENTS

	Page
REPRESENTATIONS, WARRANTIES AND COVENANTS OF QGL.....	4
REPRESENTATIONS, WARRANTIES AND COVENANTS OF CADMAN	5
GRANT AND EXERCISE OF OPTION	6
CLOSING	7
CONDITIONS PRECEDENT TO THE OBLIGATIONS OF CADMAN	8
CONDITIONS PRECEDENT TO THE OBLIGATIONS OF QGL.....	10
TRANSFER OF PROPERTY.....	11
RIGHT OF ENTRY	11
OBLIGATIONS OF CADMAN DURING OPTION PERIOD	11
TERMINATION OF OPTION	12
ROYALTY	13
TRANSFERS.....	13
SURRENDER OF PROPERTY INTERESTS PRIOR TO TERMINATION OF AGREEMENT	15
FORCE MAJEURE	15
CONFIDENTIAL INFORMATION	16
ARBITRATION	16
DEFAULT	17
INDEMNIFICATION.....	18
AREA OF MUTUAL INTEREST.....	20
RULE AGAINST PERPETUITIES	21
NOTICES.....	21
TERMINATION OF AGREEMENT	21
STANDSTILL	21
GENERAL.....	22
SCHEDULE "A" PROPERTY DESCRIPTION.....	24
SCHEDULE "B" JOINT VENTURE AGREEMENT.....	31

PROPERTY OPTION AGREEMENT

THIS AGREEMENT made as of the 1st day of March, 2012.

BETWEEN:

Q-GOLD RESOURCES LTD., a corporation existing pursuant to the laws of the Province of British Columbia.

(the “**QGL**”)

OF THE FIRST PART

AND:

CADMAN RESOURCES INC., a existing pursuant to the laws of the Province of British Columbia.

(the “**Cadman**”)

OF THE SECOND PART

WHEREAS:

A. QGL is the owner of 36 mineral claims totalling 1,324.3 acres located near Mine Centre, Ontario, Canada (the “**Property**”), more particularly described in Schedule “A”;

B. QGL has agreed to grant an exclusive option to Cadman to acquire an undivided 55% interest in and to the Property subject to the Royalties, on the terms and conditions hereinafter set forth;

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the mutual promises contained herein and other good and valuable consideration now paid by Cadman to QGL (the receipt and sufficiency of which is hereby acknowledged), the parties agree as follows:

DEFINITIONS

1. For the purposes of this Agreement the following words and phrases shall have the following meanings, namely:

- (a) “**43-101 Report**” means Cadman’s Canadian Securities Administrators National Instrument 43-101 compliant report titled “*Technical Report for Cadman Resources Inc. on the Golden Star, Baseline and Nugget Vein Gold Properties, Mine Centre Area, Kenora District, Ontario*” prepared by Richard Beard P. Eng., Northwest Mineral Development Services, dated June 20, 2011;
- (b) “**Cadman Shares**” means common shares in the capital of Cadman;

- (c) “**Closing**” means the granting of the Option on the Closing Date, on the terms and subject to the conditions set forth in this Agreement;
- (d) “**Closing Date**” means the date upon which Cadman has received Conditional Approval and all other conditions precedent to Closing set forth in this Agreement have been fulfilled or waived, which date shall not be later than the Termination Date;
- (e) “**Conditional Approval**” means the conditional approval of the Exchange to list the Cadman Shares, including the QGL Shares, for trading on the Exchange subject to Cadman fulfilling the Exchange’s usual and ordinary listing requirements, such as necessary escrow arrangements in connection with the listing;
- (f) “**Commissions**” means the British Columbia Securities Commission, the Alberta Securities Commission and the Ontario Securities Commission (collectively);
- (g) “**Dollars**” means Canadian dollars;
- (h) “**Exchange**” means the Canadian National Securities Exchange and such other stock exchanges on which Cadman’s shares may be or become listed;
- (i) “**Exploration and Development Expenditures**” means the sum of all costs of acquisition and maintenance of the Property, all expenditures on the exploration and development of the Property, and all other costs and expenses of whatsoever kind or nature incurred or chargeable by Cadman with respect to the exploration and development of the Property and the placing of any of the Property into commercial production;
- (j) “**Government Authority**” means any foreign, national, provincial, local or state government, any political subdivision or any governmental, judicial, public or statutory instrumentality, court, tribunal, agency (including those pertaining to health, safety or the environment), authority, body or entity, or other regulatory bureau, authority, body or entity having legal jurisdiction over the activity or Person in question and, for greater certainty, includes the Exchange;
- (k) “**JV Agreement**” means the Joint Venture Agreement attached hereto as Schedule “B”;
- (l) “**Laws**” means all laws, statutes, codes, ordinances, decrees, rules, regulations, by laws, statutory rules, principles of law, published policies, forms and guidelines, fee schedules, tariffs, judicial or arbitral or administrative or ministerial or departmental or regulatory judgments, orders, directives, decisions, rulings or awards, including general principles of common and civil law, and terms and conditions of any grant of approval, permission, authority or license of any Government Authority, statutory body (including the Exchange) or self regulatory authority, and the term “applicable” with respect to such Laws and in the context that refers to one or more Persons, means that such Laws apply to such Person or

Persons or its or their business, undertaking, property or securities and emanate from a Government Authority (or any other Person) having jurisdiction over the aforesaid Person or Persons or its or their business, undertaking, property or securities;

- (m) **“Option”** means the option to acquire an undivided 55% interest in the Property as provided in this Agreement;
- (n) **“Option Period”** means the period commencing on the date hereof including the date of exercise or termination of the Option;
- (o) **“QGL Shares”** means the 960,000 Cadman Shares to be issued to QGL on Closing;
- (p) **“Person”** includes any individual, firm, partnership, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate, corporation, unincorporated association or organization, Government Authority, syndicate or other entity, whether or not having legal status;
- (q) **“Property”** means the mineral claims described in Schedule “A” attached hereto including any replacement or successor claims, and all mining leases and other mining interests derived from any such claims. Any reference herein to any mineral claim comprising the Property includes any mineral leases or other interests into which such mineral claim may have been converted;
- (r) **“Property Rights”** means all licenses, permits, easements, rights-of-way, certificates and other approvals obtained by either of the parties either before or after the date of this Agreement and necessary for the exploration of the Property, or for development for the purpose of placing the Property into production or continuing production therefrom;
- (s) **“Regulatory Approvals”** means any approval, consent, waiver, permit, order or exemption from any Government Authority having jurisdiction or authority over a party which is required or advisable to be obtained in order to permit the Transaction to be effected including, without limitation, approval of the Exchange to the listing of all Cadman Shares, including the QGL Shares to be issued in connection with the Transaction, and **“Regulatory Approvals”** means all such approvals, consents, waivers, permits, orders or exemptions;
- (t) **“Royalty”** means the net smelter returns production royalty (**“NSR”**) payable to Royalty Holders pursuant to Section 12 of this Agreement, which Royalty shall be calculated and payable pursuant to Schedule “C” attached hereto;
- (u) **“Royalty Holders”** means those persons who, as former property owners, are entitled to a Royalty on the Property as specified in Section 12(a);

- (v) “**Termination Date**” means June 1, 2012 or such later date as may be agreed to between QGL and Cadman; and
- (w) “**Transaction**” means the business transaction described herein between QGL and Cadman, wherein QGL will grant the Option to Cadman on the Closing Date.

REPRESENTATIONS, WARRANTIES AND COVENANTS OF QGL

- 2. (a) QGL represents and warrants to and covenants with Cadman, with the knowledge that Cadman relies upon same in entering into this Agreement, that:
 - (i) it is legally entitled to hold the Property and the Property Rights and will remain so entitled until the interest of QGL in the Property which is subject to the Option has been duly transferred to Cadman as contemplated hereby;
 - (ii) so long as Cadman is not in default hereunder, QGL shall not do any act or thing which would in any way adversely affect the rights of Cadman hereunder;
 - (iii) it will make available to Cadman and its representatives all records and files in its possession relating to the Property and permit Cadman and its representatives to take abstracts therefrom and make copies thereof;
 - (iv) if its existing property rights in the area are not compromised, it will cooperate with Cadman in obtaining any surface and other rights on or related to the Property as Cadman deems desirable;
 - (v) it will promptly provide Cadman with any and all notices and correspondence received by QGL from the relevant government agencies in respect of the Property and further request such agencies to copy Cadman on all correspondence and notices;
 - (vi) it is and, at the time of the transfer to Cadman of the 55% interest in the mineral claims comprising the Property pursuant to the exercise of the Option, will be the recorded holder and beneficial owner of all of the mineral claims comprising the Property, free and clear of all liens, charges and claims of others, except as noted on Schedule “A” hereto, and no taxes or rentals are or will be due in respect of any of the mineral claims;
 - (vii) it will upon the transfer to Cadman of the 55% interest in the mineral claims comprising the Property, enter into an agreement on the terms of the JV Agreement;
 - (viii) the mineral claims comprising the Property have been duly and validly located and recorded pursuant to the laws of the jurisdiction in which the Property is situate and are in good standing with respect to all filings fees, taxes, assessments, work commitments or other conditions on the date

hereof and until the dates set opposite the respective names thereof in Schedule "A" hereto;

- (ix) there are not any adverse claims or challenges against or to the ownership of or title to any of the mineral claims comprising the Property, nor to the knowledge of QGL is there any basis therefor, and there are no outstanding agreements or options to acquire or purchase the Property or any portion thereof, and other than the Royalty, no person has any royalty or other interest whatsoever in production from any of the mineral claims comprising the Property;
 - (x) it has been duly incorporated, amalgamated or continued and validly exists as a corporation in good standing with respect to the filing of its annual reports under the laws of its jurisdiction of incorporation, amalgamation or continuation;
 - (xi) it has duly obtained all corporate authorizations for the execution of this Agreement and for the performance of this Agreement by it, and the consummation of the transactions herein contemplated will not conflict with or result in any breach of any covenants or agreements contained in, or constitute a default under, or result in the creation of any encumbrance under the provisions of the Sections or the constating documents of QGL or any shareholders' or directors' resolution, indenture, agreement or other instrument whatsoever to which QGL is a party or by which it is bound or to which it or the Property may be subject;
 - (xii) no proceedings are pending for, and QGL is unaware of any basis for the institution of any proceedings leading to, the dissolution or winding up of QGL or the placing of QGL into bankruptcy or subject to any other laws governing the affairs of insolvent corporations; and
 - (xiii) the Property is not the whole or substantially the whole of the undertaking of QGL.
- (b) The representations and warranties contained in this section are provided for the exclusive benefit of Cadman, and a breach of anyone or more thereof may be waived by Cadman in whole or in part at any time without prejudice to its rights in respect of any other breach of the same or any other representation or warranty, and the representations and warranties contained in this section shall survive the execution of this Agreement until the execution of the JV Agreement and of any transfers, assignments, deeds or further documents respecting the Property.

REPRESENTATIONS, WARRANTIES AND COVENANTS OF CADMAN

3. (a) Cadman represents and warrants to and covenants with QGL, with the knowledge that QGL relies upon same in entering into this Agreement, that:

- (i) it has been duly incorporated, amalgamated or continued and validly exists as a corporation in good standing with respect to the filing of annual reports under the laws of its jurisdiction of incorporation, amalgamation or continuation;
 - (ii) it is lawfully authorized to hold mineral claims and real property under the laws of the jurisdiction in which the Property are situate;
 - (iii) it has duly obtained all corporate authorizations for the execution of this Agreement and for the performance of this Agreement by it, and the consummation of the transactions herein contemplated will not conflict with or result in any breach of any covenants or agreements contained in, or constitute a default under, or result in the creation of any encumbrance under the provisions of the Sections or the constating documents of Cadman or any shareholders' or directors' resolution, indenture, agreement or other instrument whatsoever to which Cadman is a party or by which it is bound or to which it or the Property may be subject;
 - (iv) no proceedings are pending for, and Cadman is unaware of any basis for the institution of any proceedings leading to the dissolution or winding up of Cadman or the placing of Cadman into bankruptcy or subject to any other laws governing the affairs of insolvent corporations;
 - (v) QGL Shares to be issued will upon issuance be duly authorized and validly allotted and issued as fully paid and non-assessable Cadman Shares, free of any liens, charges or encumbrances; and
 - (vi) it will, upon transfer to it of the 55% interest in the mineral claims comprising the Property, enter into an agreement substantially on the terms of the JV Agreement.
- (b) The representations and warranties contained in this section are provided for the exclusive benefit of QGL and a breach of anyone or more thereof may be waived by QGL in whole or in part at any time without prejudice to its rights in respect of any other breach of the same or any other representation or warranty, and the representations and warranties contained in this section shall survive the execution hereof until the execution of the JV Agreement.

GRANT AND EXERCISE OF OPTION

4. (a) On the Closing Date QGL shall grant to Cadman the sole and exclusive right and option to acquire a 55% undivided interest in and to the Property, free and clear of all charges, encumbrances and claims, except for the Royalty.
- (b) The Option shall be exercised by Cadman making a cash payment to QGL of \$25,000 on or before that date which is 30 days after the Closing Date, plus an additional payment of \$100,000 on or before the date which is 3 months after the

Closing date, and an additional payment of \$150,000 on or before that date which is 12 months after the Closing Date and:

- (i) incurring Exploration Expenditures in accordance with the recommendations contained in the 43-101 Report in an amount not to be less than of \$600,000 on the Property expended as follows:
 - (A) \$250,000 within 12 months of the Closing Date; and
 - (B) \$350,000 on or before that date which is 24 months after the Closing Date;
- (c) payment of \$240,000 by the allotment and issuance of the QGL Shares to QGL on or before that date which is 5 days after the listing of Cadman on the Exchange, based on the closing price of the Cadman Shares on the TSX Venture Exchange of \$0.25.
- (d) If and when the steps set out in section 4(b) and (c) above have been completed, the Option shall have been automatically exercised and a 55% undivided right, title and interest in and to the Property shall vest in Cadman, free and clear of all charges, encumbrances and claims except for the Royalty, and QGL and Cadman shall enter into a joint venture which shall be governed by the terms of a joint venture agreement, in substantially the form of the JV Agreement.

CLOSING

- 5. (a) **Deliveries of QGL at Closing.** In addition to all other documents required hereunder to be delivered by QGL to complete the Option grant, QGL shall deliver to Cadman at Closing:
 - (i) a certificate of status of QGL dated the date of Closing or 1 day prior;
 - (ii) a certified copy of the resolutions passed by the board of directors of QGL approving this Agreement and the transactions contemplated hereby including, for greater certainty, the granting of the Option;
 - (iii) certificates of the President and Chief Executive Officer of QGL or another officer satisfactory to Cadman confirming completion of the conditions set out in Section 6(a) hereof and confirming the representations and warranties set out in Section 2(a) are true as of the Closing Date;
 - (iv) corporate, securities and enforceability opinions including, without limitation, opinions confirming the due formation, existence and corporate authority of QGL in a form satisfactory to counsel for Cadman, acting reasonably; and

- (v) a title opinion confirming that QGL has valid legal title to the Property free of any liens or encumbrances, and has registered the Option in the required registries in form satisfactory to counsel for Cadman acting reasonably.
- (b) **Deliveries of Cadman at Closing.** In addition to all other documents required hereunder to be delivered by Cadman to complete the Transaction, Cadman shall deliver to QGL at Closing:
 - (i) a certificate of status of Cadman dated the date of Closing or 1 day prior;
 - (ii) a certified copy of the resolutions passed by the board of directors of Cadman approving this Agreement as well as the consummation of the transactions contemplated hereby;
 - (iii) a certificate of the President and Chief Executive Officer of Cadman or another officer satisfactory to QGL confirming completion of the conditions set out in Section 7(a) hereof and confirming the representations and warranties set out in Section 3(a) are true as of the Closing Date; and
 - (iv) corporate, securities and enforceability opinions (including a Canadian securities opinion addressing the distribution of the QGL Shares) in a form satisfactory to QGL's counsel acting reasonably including, without limitation, legal opinions confirming the due formation, existence and corporate authority of Cadman.

CONDITIONS PRECEDENT TO THE OBLIGATIONS OF CADMAN

- 6. (a) The obligations of Cadman to complete Closing shall be subject to the satisfaction, on or before the Closing Date, of the following conditions precedent (each of which is for the exclusive benefit of Cadman and may be waived only by Cadman and any one or more of which, if not satisfied or waived, will relieve Cadman of any obligation under this Agreement):
 - (i) all resolutions and other corporate actions by:
 - (A) the board of directors of QGL; and
 - (B) the shareholders of QGL,which are necessary to permit and to complete the Transaction as contemplated herein, shall have been obtained, adopted and taken;
 - (ii) satisfactory completion, at the discretion of Cadman, of due diligence by Cadman in respect of the business, financial condition, prospects, assets, liabilities or operations relating to the Property;

- (iii) all Regulatory Approvals and Conditional Approval shall have been obtained;
 - (iv) all necessary consents, approvals, exemptions, and authorizations of any Government Authority (including, if applicable, any stock exchanges), directors, shareholders, lenders, lessors, and other third parties in respect of the Transaction shall have been obtained;
 - (v) there shall not be any pending or threatened litigation regarding this Agreement and/or the transactions contemplated herein;
 - (vi) Cadman completing an equity raise of sufficient amount, in its sole discretion, to undertake its obligation under this Agreement;
 - (vii) all required consents shall have been obtained;
 - (viii) there shall not be in force any order or decree restraining or enjoining the consummation of the Transaction including, without limitation, the Amalgamation;
 - (ix) the execution and delivery on or before the Closing Date of such customary agreements, certificates, resolutions, opinions and other closing documents as may be reasonably requested by Cadman including, without limiting the generality of the foregoing, an opinion from QGL's legal counsel acceptable to Cadman that QGL has valid legal title to the Property free of any liens and encumbrances;
 - (x) QGL shall not have breached, or failed to comply with, in any material respect, any of its covenants or other obligations under this Agreement, and all representations and warranties of QGL contained in this Agreement shall have been true and correct in all material respects as of the date of this Agreement and shall not have ceased to be true and correct in any material respect thereafter (provided, however, that if QGL has been given written notice by Cadman specifying in reasonable detail any such misrepresentation, breach or non-performance, QGL shall have ten (10) days to cure such misrepresentation, breach or non-performance); the President and Chief Executive Officer of QGL or another officer satisfactory to Cadman shall so certify on the Closing Date;
 - (xi) this Agreement shall not have been terminated.
- (b) If any of the above conditions shall not have been satisfied or waived by Cadman on or before the Closing Date or, if earlier, the date required for the performance thereof, then Cadman may terminate this Agreement in circumstances where the failure to satisfy any such condition is not the result, directly or indirectly, of a breach of this Agreement by Cadman terminating the Agreement. In the event that the failure to satisfy any one or more of the above conditions precedent results from a material default by a party of its obligations under this Agreement and if

such condition(s) precedent would have been satisfied but for such default, such defaulting party shall not rely on such failure (to satisfy one or more of the above conditions) as a basis for its own noncompliance with its obligations under this Agreement.

CONDITIONS PRECEDENT TO THE OBLIGATIONS OF QGL

7. (a) The obligations of QGL to complete the Transaction contemplated by this Agreement shall also be subject to the satisfaction, on or before the Closing Date, of each of the following conditions precedent (each of which is for the exclusive benefit of QGL and may be waived by QGL and any one or more of which, if not satisfied or waived, will relieve QGL of any obligation under this Agreement):
- (i) all resolutions and other corporate actions by:
 - (A) the board of directors of Cadman; and
 - (B) the shareholders of Cadman,which are necessary to permit and to complete the Transaction as contemplated herein, shall have been obtained, adopted and taken;
 - (ii) Cadman shall not have breached, or failed to comply with, in any material respect, any of its covenants or other obligations under this Agreement, and all representations and warranties of Cadman contained in this Agreement shall have been true and correct in all material respects as of the date of this Agreement and shall not have ceased to be true and correct in any material respect thereafter (provided, however, that Cadman has been given written notice by QGL specifying in reasonable detail any such misrepresentation, breach or non-performance, Cadman shall have ten (10) days to cure such misrepresentation, breach or non-performance); the President and Chief Executive Officer of Cadman or another officer satisfactory to QGL shall so certify on the Transaction Date;
 - (iii) Conditional Approval shall have been obtained;
 - (iv) the execution and delivery on or before the Closing Date of such customary agreements, certificates, resolutions, opinions and other closing documents as may be reasonably requested by QGL.
- (b) If any of the above conditions shall not have been complied with or waived by QGL on or before the Closing Date or, if earlier, the date required for the performance thereof, then QGL may terminate this Agreement in circumstances where the failure to satisfy any such condition is not the result, directly or indirectly, of a breach of this Agreement by QGL. In the event that the failure to satisfy any one or more of the above conditions precedent results from a material default by QGL of its obligations under this Agreement and if such condition(s) precedent would have been satisfied but for such default, QGL shall not rely on

such failure (to satisfy one or more of the above conditions) as a basis for its own non-compliance with its obligations under this Agreement.

TRANSFER OF PROPERTY

8. QGL shall, forthwith after the exercise of the Option, file in the appropriate registry system, duly executed transfers of the 55% interest in the Property which shall have been acquired by Cadman, subject only to the Royalty.

RIGHT OF ENTRY

9. Throughout the Option Period the directors and officers of Cadman and its servants agents and independent contractors, shall have the sole and exclusive right in respect of the Property to:

- (a) enter thereon;
- (b) have exclusive and quiet possession thereof;
- (c) do such prospecting, exploration, development and other mining work thereon and thereunder as Cadman in its sole discretion may determine advisable;
- (d) bring upon and erect upon the Property such buildings, plant, machinery and equipment as Cadman may deem advisable; and
- (e) remove therefrom and dispose of reasonable quantities of ores, minerals and metals for the purposes of obtaining assays or making other tests.

OBLIGATIONS OF CADMAN DURING OPTION PERIOD

10. During the Option Period, Cadman shall be the operator of the Property and shall:

- (a) maintain in good standing those mineral claims comprising the Property by the doing and filing of assessment work or the making of payments in lieu thereof, by the payment of taxes and rentals, and the performance of all other actions which may be necessary in that regard and in order to keep such mineral claims free and clear of all liens and other charges arising from Cadman's activities thereon except those at the time contested in good faith by Cadman;
- (b) duly record all exploration work carried out on the Property by Cadman a assessment work;
- (c) permit the directors, officers, employees and designated consultants of QGL, at their own risk and expense, access to the Property at all reasonable times, and QGL agrees to indemnify Cadman against and to save it harmless from all costs, claims, liabilities and expenses that Cadman may incur or suffer as a result of any injury (including injury causing death) to any director, officer, employee or designated consultant of QGL while on the Property;

- (d) permit QGL, or its representative duly authorized in writing, to visit and inspect the Property at all reasonable times and intervals, and data obtained by Cadman as a result of its operations thereon, provided always that QGL or its representative shall abide by the rules and regulations laid down by Cadman relating to matters of safety and efficiency in its operations and, notwithstanding, Cadman shall be under no liability to QGL or its representative for any personal injury, including death, or any damage to property other than such as might be occasioned by or through any negligence on the part of Cadman, its servants or agents;
- (e) do all work on the Property in a good and workmanlike fashion and in accordance with all applicable laws, regulations, orders and ordinances of any governmental authority;
- (f) indemnify and save QGL harmless in respect of any and all costs, claims, liabilities and expenses arising out of Cadman's activities on the Property, but Cadman shall incur no obligation hereunder in respect of claims arising or damages suffered after termination of the Option if upon termination of the Option any workings on or improvements to the Property made by Cadman are left in a safe condition and in full compliance with requirements of all environmental laws and regulations;
- (g) permit QGL, at its own expense, reasonable access to the results of the work done on the Property during the last completed calendar year; and
- (h) deliver to QGL, forthwith upon receipt thereof, copies of all reports, maps, assay results and other technical data compiled by or prepared at the direction of Cadman with respect to the Property.

TERMINATION OF OPTION

- 11. (a) The Option shall terminate:
 - (i) upon exercise in accordance with the terms of this Agreement;
 - (ii) upon Cadman failing to incur Exploration Expenditures or failing to issue the QGL Shares or make the cash payment in accordance with Section 4(b);
 - (iii) subject to Section 18 hereof, upon Cadman failing to remedy a default as provided therein; or
 - (iv) at any other time, by Cadman giving notice of such termination to QGL.
- (b) If the Option is terminated otherwise than upon the exercise thereof, Cadman shall:

- (i) leave in good standing for a period of at least 12 months from the termination of the Option Period those mineral claims comprising the Property;
 - (ii) deliver or make available at no cost to QGL within 90 days of such termination, all drill core, copies of all reports, maps, assay results and other relevant technical data compiled by, prepared at the direction of, or in the possession of Cadman with respect to the Property and not theretofore furnished to QGL; and
 - (iii) reclaim the Property in accordance with the requirements of all applicable environmental laws and regulations, but only to the extent that such requirements result from Cadman's activities on the Property hereunder.
- (c) If the Option is terminated otherwise than upon the exercise thereof, Cadman shall have the right, within a period of 180 days following the end of the Option Period, to remove from the Property all buildings, plant, equipment, machinery, tools, appliances and supplies which have been brought upon the Property by or on behalf of Cadman, and any such property not removed within such 180 day period shall thereafter become the property of QGL or may be removed by QGL at Cadman's sole expense.

ROYALTY

12. (a) Royalty Holders entitled to the NSR pursuant to this Section 12 are as follows:

Property	Royalty Holder
Golden Star	Golden Star Mine Centre Exploration, Inc.
Baseline Vein	Hexagon Gold (Ontario) Ltd
Nugget Vein	Hexagon Gold (Ontario) Ltd

- (b) Upon the Commencement of Commercial Production, Cadman shall pay each of the Royalty Holders a Royalty equal to 2% of the net smelter returns (“NSR”) on all minerals produced and sold from the Property on the terms and conditions as set out in this Section. Cadman may purchase one half (½) of each of the NSR royalty from each of the Royalty Holders at any time for \$500,000, per one half (½) of each such NSR royalty.

TRANSFERS

13. (a) Subject to subparagraph (c), any party (the “**transferring party**”) may at any time either during the Option Period or thereafter, sell, transfer or otherwise dispose of all or any portion of its interest in and to the Property and this Agreement provided that any purchaser, grantee or transferee of any such interest shall have first delivered to the other party (in this section the “**other party**”) its agreement related to this Agreement and to the Property, containing:

- (i) a covenant by such transferee to perform all the obligations of the transferring party under this Agreement to the same extent as if this Agreement had been originally executed by such transferee; and
 - (ii) a provision subjecting any further sale, transfer or other disposition of such interest in the Property and this Agreement or any portion thereof to the restrictions contained in this paragraph (a).
- (b) No assignment by the transferring party of any interest less than its entire interest in this Agreement and in the Property shall, as between the transferring party and the other party, discharge it from any of its obligations hereunder, but upon the transfer by the transferring party of the entire interest at the time held by it in this Agreement, whether to one or more transferees and whether in one or in a number of successive transfers, the transferring party shall be deemed to be discharged from all obligations hereunder save and except for the payment of the Royalty or any other fulfillment of contractual commitments accrued due prior to the date on which the transferring party shall have no further interest in this Agreement.
- (c) If any party (the transferring party) should receive a bona fide offer from an independent third party (the “**Proposed Purchaser**”) dealing at arm’s length with the transferring party, to purchase, by way of option or otherwise, all or a part of its interest in the Property, which offer the transferring party desires to accept, or if the transferring party intends to sell, by way of option or otherwise, all or a part of its interest in the Property other than to an affiliated company (as defined in the *Business Corporations Act* (Ontario)):
 - (i) The transferring party shall first offer (the “**Offer**”) such interest in writing to the other party upon terms no less favourable than those offered by the Proposed Purchaser or intended to be offered by the transferring party, as the case may be.
 - (ii) The Offer shall specify the price, terms and conditions of such sale, the name of the Proposed Purchaser or the person or persons to whom the transferring party intends to offer its interest as applicable and, if any consideration payable to the transferring party is payable otherwise than in cash, the Offer shall include the transferring party’s good faith estimate of the cash equivalent of the non-cash consideration.
 - (iii) If within a period of 60 days of the receipt of the Offer the other party notifies the transferring party in writing that it will accept the Offer, the transferring party shall be bound to sell such interest to the other party on the terms and conditions of the Offer. If the Offer so accepted by the other party contains the transferring party’s good faith estimate of the cash equivalent of the non cash consideration as aforesaid, and if the other party disagrees with the transferring party’s best estimate, the other party shall so notify the transferring party at the time of acceptance and the other party shall, in such notice, specify what it considers, in good faith,

the fair cash equivalent to be and the resulting total purchase price. If the other party so notifies the transferring party, the acceptance by the other party shall be effective and binding upon the transferring party and the other party, and the cash equivalent of any such non-cash consideration shall be determined by binding arbitration and shall be payable by the other party, subject to prepayment as hereinafter provided, within 60 days following its determination by arbitration. The other party shall in such case pay to the transferring party, against receipt of an absolute transfer of clear and unencumbered title to the interest of the transferring party being sold, the total purchase price which is specified in its notice to the transferring party and such amount shall be credited to the amount determined following arbitration of the cash equivalent of any non-cash consideration.

- (iv) If the other party fails to notify the transferring party before the expiration of the time limited therefore that it will purchase the interest offered, the transferring party may sell and transfer such interest to the Proposed Purchaser or other buyer solicited at the price and on the terms and conditions specified in the Offer for a period of 60 days, but the terms of this Section shall again apply to such interest if the sale to the Proposed Purchaser or other buyer solicited is not completed within such 60 days.
 - (v) Any sale hereunder shall be conditional upon the purchaser delivering a written undertaking to the other party, in form and substance satisfactory to such other party, to be bound by the terms and conditions of this Agreement, including this paragraph (c).
- (d) Paragraph (c)(v) hereof shall apply, mutatis mutandis, to any sale, by way of option or otherwise, of all or part of the transferring party's interest in the Property to an affiliated company.

SURRENDER OF PROPERTY INTERESTS PRIOR TO TERMINATION OF AGREEMENT

14. Cadman may at any time during the Option Period elect to abandon anyone or more of the mineral claims comprised in the Property by giving notice to QGL of such intention. Any claims so abandoned shall be kept in good standing under the laws of the jurisdiction in which they are situate by Cadman for at least 12 months from the date of abandonment. Upon any such abandonment, the mineral claims so abandoned shall for all purposes of this Agreement cease to form part of the Property and, if title to such claims has been transferred to Cadman, Cadman shall transfer such title back to QGL at Cadman's expense.

FORCE MAJEURE

15. (a) If Cadman is at any time either during the Option Period or thereafter prevented or delayed in complying with any provisions of this Agreement by reason of strikes, lock-outs, labour shortages, power shortages, fuel shortages, fires, wars,

acts of God, governmental regulations restricting normal operations, shipping delays or any other reason or reasons, other than lack of funds, beyond the control of Cadman, the time limited for the performance by Cadman of its obligations hereunder shall be extended by a period of time equal in length to the period of each such prevention or delay, but nothing herein shall discharge Cadman from its obligations hereunder to maintain the Property in good standing.

- (b) Cadman shall give prompt notice to QGL of each event of force majeure and upon cessation of such event shall furnish to QGL with notice to that effect together with particulars of the number of days by which the obligations of Cadman hereunder has been extended by virtue of such event of force majeure and all preceding events of force majeure.

CONFIDENTIAL INFORMATION

- 16. (a) No information furnished by Cadman to QGL hereunder in respect of the activities carried out on the Property by Cadman, or related to the sale of minerals, ore, bullion or other product derived from the Property, shall be published or disclosed by QGL without the prior written consent of Cadman, but such consent in respect of the reporting of factual data shall not be unreasonably withheld, and shall not be withheld in respect of information required to be publicly disclosed pursuant to applicable securities or corporation laws, regulations or policies;
- (b) Any discussions in connection with the Transaction in general and this Agreement in particular shall be treated by the parties hereto as strictly confidential and shall not (without the prior consent of the other party hereto or as contemplated or provided herein) be disclosed by any party hereto to any person other than a director, officer, employee, agent, shareholder or professional advisor, of or to that party hereto with a need to know for purposes connected with the matters contemplated by this Agreement and then only on a confidential basis and also on the basis that the party concerned will be liable for any breach of confidentiality by a person to whom it makes disclosure.

ARBITRATION

- 17. (a) All questions or matters in dispute under this Agreement shall be submitted to arbitration pursuant to the terms hereof.
- (b) It shall be a condition precedent to the right of any party to submit any matter to arbitration pursuant to the provisions hereof, that any party intending to refer any matter to arbitration shall have given not less than 10 days' prior notice of its intention to do so to the other party, together with particulars of the matter in dispute. On the expiration of such 10 days, the party who gave such notice may proceed to refer the dispute to arbitration as provided in paragraph (c) below.
- (c) The party desiring arbitration shall appoint one arbitrator, and shall notify the other party of such appointment, and the other party shall, within 15 days after

receiving such notice, either consent to the appointment of such arbitrator which shall then carry out the arbitration or appoint an arbitrator, and the two arbitrators so named, before proceeding to act, shall, within 30 days of the appointment of the last appointed arbitrator, unanimously agree on the appointment of a third arbitrator to act with them and be chairman of the arbitration herein provided for. If the other party shall fail to appoint an arbitrator within 15 days after receiving notice of the appointment of the first arbitrator, the first arbitrator shall be the only arbitrator. If the two arbitrators appointed by the parties shall be unable to agree on the appointment of the chairman, the chairman shall be appointed under the provisions of the *Commercial Arbitration Act* (Ontario). Except as specifically otherwise provided in this section, the arbitration herein provided for shall be conducted in accordance with such Act. The chairman, or in the case where only one arbitrator is appointed, the single arbitrator, shall fix a time and place in Toronto, Ontario, for the purpose of hearing the evidence and representations of the parties, and he shall preside over the arbitration and determine all questions of procedure not provided for under such Act or this section. After hearing any evidence and representations that the parties may submit, the single arbitrator, or the arbitrators, as the case may be, shall make an award and reduce the same to writing, and deliver one copy thereof to each of the parties. The expense of the arbitration shall be paid as specified in the award.

- (d) The parties agree that the award of a majority of the arbitrators, or in the case of a single arbitrator, of such arbitrator, shall be final and binding upon each of them.

DEFAULT

- 18. (a) If at any time during the Option Period Cadman is in default of any material provision in this Agreement other than the payment provisions set out in Section 4(b) for which no notice of default need be given, QGL may terminate this Agreement, but only if:
 - (i) it shall have first given to Cadman a notice of default containing particulars of the obligation which Cadman has not performed, or the warranty breached; and
 - (ii) Cadman has not, within sixty (60) days following delivery of such notice of default, cured such default or commenced proceedings to cure such default by appropriate payment or performance, Cadman hereby agreeing that should it so commence to cure any default it will prosecute the same to completion without undue delay.

Should Cadman fail to comply with the provision of Section 4(b), QGL may thereafter terminate this Agreement by giving notice thereof to Cadman.

- (b) If at any time during the Option Period QGL is in default of any material provision in this Agreement other than the provisions of Section 4(b) for which no

notice of default need be given, Cadman may terminate this Agreement, but only if:

- (i) it shall have first given to QGL a notice of default containing particulars of the obligation which QGL has not performed, or the warranty breached; and
- (ii) QGL has not, within sixty (60) days following delivery of such notice of default, cured such default or commenced proceedings to cure such default by appropriate payment or performance, QGL hereby agreeing that should it so commence to cure any default it will prosecute the same to completion without undue delay.

Should QGL fail to comply with the provision of Section 4(b), Cadman may thereafter terminate this Agreement by giving notice thereof to QGL.

INDEMNIFICATION

19. (a) **Indemnification by Optionor.** QGL shall indemnify and save Cadman harmless for and from any and all liabilities, losses (except for loss of profits or consequential losses), claims, judgments, damages, expenses and costs (including, without limitation, reasonable professional fees and costs and expenses incurred in connection therewith) (collectively, the “**Indemnifiable Damages**”) suffered or incurred by Cadman as a result of: (i) a material breach of a representation or warranty on the part of QGL contained in this Agreement; or (ii) a material breach of a covenant on the part of QGL contained in this Agreement.
- (b) **Indemnification by Cadman.** Cadman shall indemnify QGL harmless for and from any and all Indemnifiable Damages suffered or incurred by QGL as a result of: (i) a material breach of a representation or warranty on the part of Cadman contained in this Agreement; or (ii) a material breach of a covenant on the part of Cadman contained in this Agreement.
- (c) **Notice of Claim.** A party entitled to and seeking indemnification pursuant to the terms of this Agreement (the “**Indemnified Party**”) shall promptly give written notice to the Party responsible for indemnifying the Indemnified Party (the “**Indemnifying Party**”) of any claim for indemnification pursuant to Sections 19(a) or 19(b) (a “**Claim**”, which term may include more than one Claim). Such notice shall specify whether the Claim arises as a result of a claim by a Person against the Indemnified Party (a “**Third Party Claim**”) or whether the Claim does not so arise (a “**Direct Claim**”), and shall also specify with reasonable particularity (to the extent that the information is available):
- (i) the factual basis for the Claim; and
 - (ii) the amount of the Claim, or, if any amount is not then determinable, an approximate and reasonable estimate of the likely amount of the Claim.

(d) **Procedure for Indemnification.**

- (i) **Direct Claims.** With respect to Direct Claims, following receipt of notice from the Indemnified Party of a Claim, the Indemnifying Party shall have thirty (30) days to make such investigation of the Claim as the Indemnifying Party considers necessary or desirable. For the purpose of such investigation, the Indemnified Party shall make available to the Indemnifying Party the information relied upon by the Indemnified Party to substantiate the Claim. If the Indemnified Party and the Indemnifying Party agree at or prior to the expiration of such thirty (30) day period (or any mutually agreed upon extension thereof) to the validity and amount of such Claim, the Indemnifying Party shall immediately pay to the Indemnified Party the full agreed upon amount of the Claim.
- (ii) **Arbitration.** If the Indemnified Party and the Indemnifying Party do not agree within the period set forth in Section 19(d)(i) (or any mutually agreed upon extension thereof), the Indemnified Party and the Indemnifying Party agree that the dispute shall be submitted to arbitration pursuant to Section 17. Such dispute shall not be made the subject matter of an action in a court by either the Indemnified Party or the Indemnifying Party unless the dispute has first been submitted to arbitration and finally determined in accordance with the provisions of Section 17. Any such action commenced thereafter shall only be for judgment in accordance with the decision of the arbitrator and the costs incidental to the action. In any such action, the decision of the arbitrator shall be conclusively deemed to determine the rights and liabilities as between the parties to the arbitration in respect of the matter in dispute.
- (iii) **Third Party Claims.** With respect to any Third Party Claim, the Indemnifying Party shall have the right, at its own expense, to participate in or assume control of the negotiation, settlement or defence of such Third Party Claim and, in such event, the Indemnifying Party shall reimburse the Indemnified Party for all the Indemnified Party's reasonable out-of-pocket expenses incurred as a result of such participation or assumption. If the Indemnifying Party elects to assume such control, the Indemnified Party shall cooperate with the Indemnifying Party, shall have the right to participate in the negotiation, settlement or defence of such Third Party Claim at its own expense and shall have the right to disagree on reasonable grounds with the selection and retention of counsel, in which case counsel reasonably satisfactory to the Indemnifying Party and the Indemnified Party shall be retained by the Indemnifying Party. If the Indemnifying Party, having elected to assume such control, thereafter fails to defend any such Third Party Claim within a reasonable time, the Indemnified Party shall be entitled to assume such control and the Indemnifying Party shall be bound by the results obtained by the Indemnified Party with respect to such Third Party Claim. If the Indemnifying Party fails to assume control of the defence of any Third

Party Claim, the Indemnified Party shall have the exclusive right to contest, settle or pay the amount claimed. Whether or not the Indemnifying Party assumes control of the negotiation, settlement or defence of any Third Party Claim, the Indemnifying Party shall not settle any Third Party Claim without the written consent of the Indemnified Party, which consent shall not be unreasonably withheld or delayed; provided, however, that if any such consent is not obtained for any reason, liability on the part of other Indemnifying Party shall be limited to the proposed settlement amount.

- (e) **General Indemnification Rules.** The obligations of the Indemnifying Party to indemnify the Indemnified Party in respect of Claims shall also be subject to the following:
- (i) Any Claim arising as a result of a breach of a representation or warranty shall be made not later than the date on which, pursuant to Sections 2 and 3, respectively, such representation and warranty terminated;
 - (i) The obligation to indemnify set forth in Sections 19(a) and 19(b) shall be applicable only after an Indemnified Party shall have reasonably accumulated Indemnifiable Damages in an amount in excess of \$50,000 in the aggregate. Once the amount of such Indemnifiable Damages reasonably exceeds \$50,000, in the aggregate, the obligation to indemnify shall apply with respect to all such Indemnifiable Damages including those Indemnifiable Damages reasonably calculated to reach the amount of \$50,000; and
 - (i) The Indemnified Party and the Indemnifying Party shall cooperate fully with each other with respect to Third Party Claims and shall keep each other fully advised with respect thereto (including supplying copies of all relevant documentation promptly as it becomes available).

AREA OF MUTUAL INTEREST

20. The parties hereby agree that each and every mineral claim (including internal fractions) or interest therein which they may stake or otherwise acquire during the currency of this Agreement and which lies in whole or in part within five hundred (500) metres from the outside perimeter of the Property, or which is contiguous to such claims which are otherwise within this area of mutual interest, shall at the option of the other party form a part of the Property. Any party shall, upon acquisition of any such additional claims or interests, forthwith give notice to the other party of same and thereafter the other party shall have thirty days from the date on which the Option is fully exercised within which to give notice of its desire to have such additional claims or interests form part of the Property and to pay to the other party their proportionate share of acquisition costs. The other party shall be responsible to pay its proportionate share of costs of acquiring the additional claims or interests in accordance with its interest in the Property. All title to such additional claims or interests shall be held subject to the terms of this Agreement.

RULE AGAINST PERPETUITIES

21. If any right, power or interest held by or to be acquired by any party in the Property under this Agreement would violate the rule against perpetuities, then such right, power or interest shall terminate at the expiration of 20 years after the death of the last survivor of all the lineal descendants of Her Majesty Queen Elizabeth II of England living on the date of execution of this Agreement.

NOTICES

22. Each notice, demand or other communication required or permitted to be given under this Agreement shall be in writing and shall be delivered or telecopied to such party at the address for such party specified on System for Electronic Document Analysis and Retrieval (SEDAR). The date of receipt of such notice, demand or other communication shall be the date of delivery thereof if delivered or, if given by telecopier, shall be deemed conclusively to be the next business day. Either party may at any time and from time to time notify the other party in writing of a change of address and the new address to which notice shall be given to it thereafter until further change.

TERMINATION OF AGREEMENT

23. This Agreement may be terminated by written notice promptly given to the other party hereto, at any time prior to the Closing Date:

- (a) by mutual agreement in writing by each of the party; or
- (b) in the event that the Closing Date has not occurred by the Termination Date;
- (c) as set forth in subsection (b) of each of Sections 6 and 7 of this Agreement; and
- (d) as set forth in Section 18,

in the event of the termination of this Agreement as provided for above, this Agreement shall forthwith have no further force or effect and there shall be no obligations on the part of the parties hereunder except as set forth in Sections 17 and 19, which provisions shall survive the termination of this Agreement.

STANDSTILL

24. Until the Termination Date QGL shall not, directly or indirectly, through any representative or otherwise, solicit or entertain offers from, negotiate with or in any manner encourage, discuss, accept, or consider any proposal of any other party relating to the acquisition of an interest in the Property, in whole or in part, whether directly or indirectly, through purchase, merger, consolidation, or otherwise and QGL shall not encumber its interest in the Property in any way, directly or indirectly, or negotiate or communicate with any other party concerning, nor propose nor seek to enter into any transaction or series of transactions that would lessen the likelihood of Cadman being able to complete the Transaction. QGL shall immediately

notify Cadman regarding any contact between QGL or its respective representatives and any other person regarding any such offer or proposal or any related inquiry.

GENERAL

25. (a) This Agreement shall supersede and replace any other agreement or arrangement, whether oral or written, heretofore existing between the parties in respect of the subject matter of this Agreement, including the letter of intent signed by the parties dated as of May 4, 2011. In the event of an inconsistency between this agreement and a document signed at Closing, this agreement shall govern.
- (b) No consent or waiver expressed or implied by either party in respect of any breach or default by the other in the performance by such other of its obligations hereunder shall be deemed or construed to be a consent to or a waiver of any other breach or default.
- (c) This Agreement may be amended by mutual agreement of the parties. This Agreement may not be amended except by an instrument in writing signed by the appropriate directors, officers, or other authorized representatives on behalf of each of the parties hereto.
- (d) Each of QGL and Cadman shall be responsible for their own expenses including, but not limited to, legal counsel, accountants, business valuers and financial advisors.
- (e) The parties shall promptly execute or cause to be executed all documents, deeds, conveyances and other instruments of further assurance and do such further and other acts which may be reasonably necessary or advisable to carry out fully the intent of this Agreement or to record wherever appropriate the respective interest from time to time of the parties in the Property.
- (f) This Agreement shall enure to the benefit of and be binding upon the parties and their respective successors and permitted assigns.
- (g) This Agreement shall be governed by and construed in accordance with the laws of Ontario and the laws of Canada applicable therein and shall be treated in all respects as an Ontario contract (and shall be subject to the approval of all securities regulatory authorities having jurisdiction).
- (h) Time shall be of the essence in this Agreement.
- (i) Wherever the neuter and singular is used in this Agreement it shall be deemed to include the plural, masculine and feminine, as the case may be.
- (j) Any reference in this Agreement to currency shall be deemed to be Canadian currency.

- (k) Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable Law. Any provision of this Agreement that is invalid or unenforceable in any jurisdiction shall be ineffective to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable the remaining provisions hereof, and any such invalidity or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.
- (l) This Agreement may be executed in one or more counterparts, each of which shall be deemed to be an original but all of which together shall constitute one and the same instrument.

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

Q-GOLD RESOURCES LTD.

Per: "Eric A. Gavin"

Name: Eric A. Gavin

Title: Chief Financial Officer

CADMAN RESOURCES INC.

Per: "Derek Bartlett"

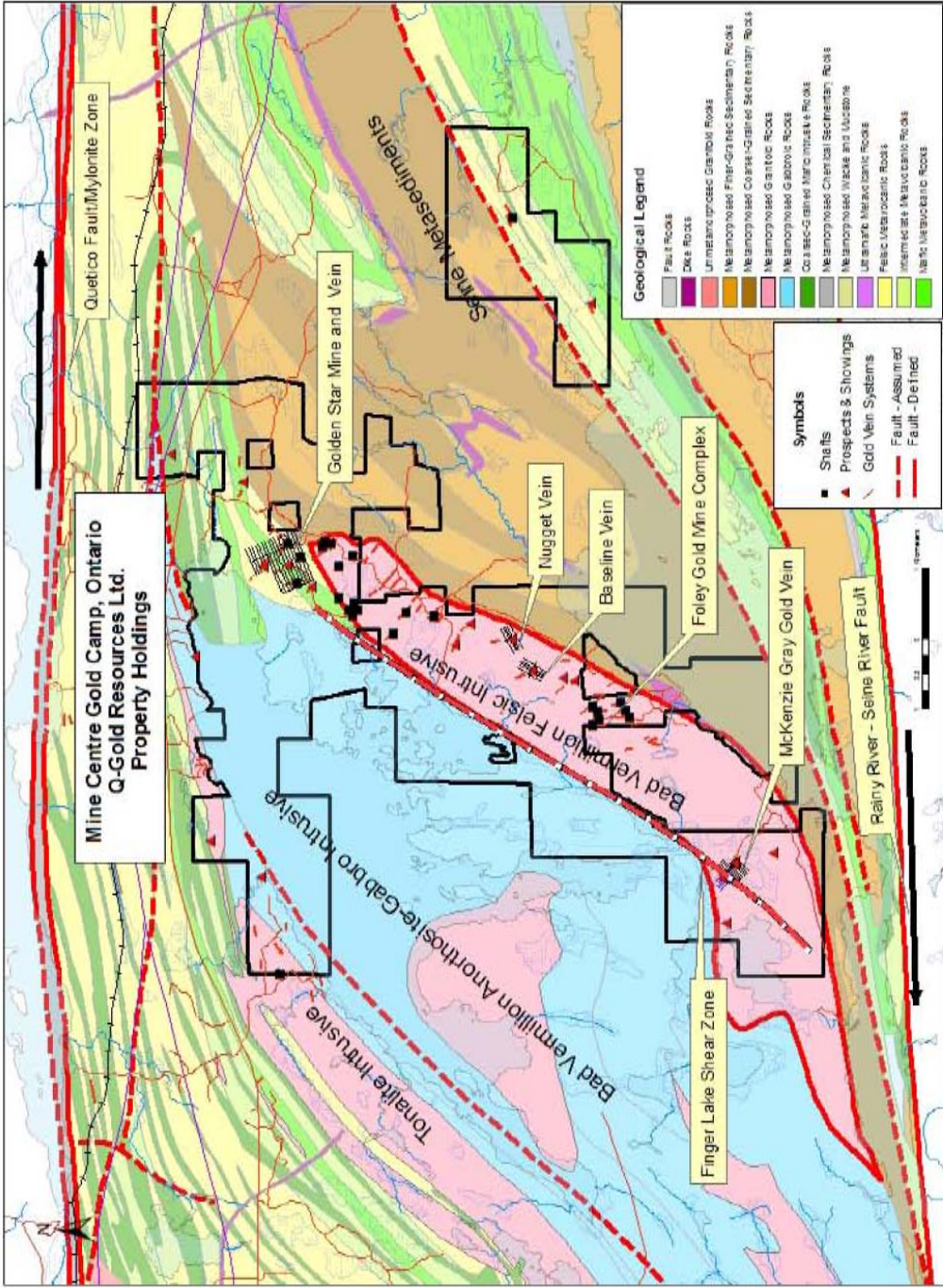
Name: Derek Bartlett

Title: President, CEO and Director

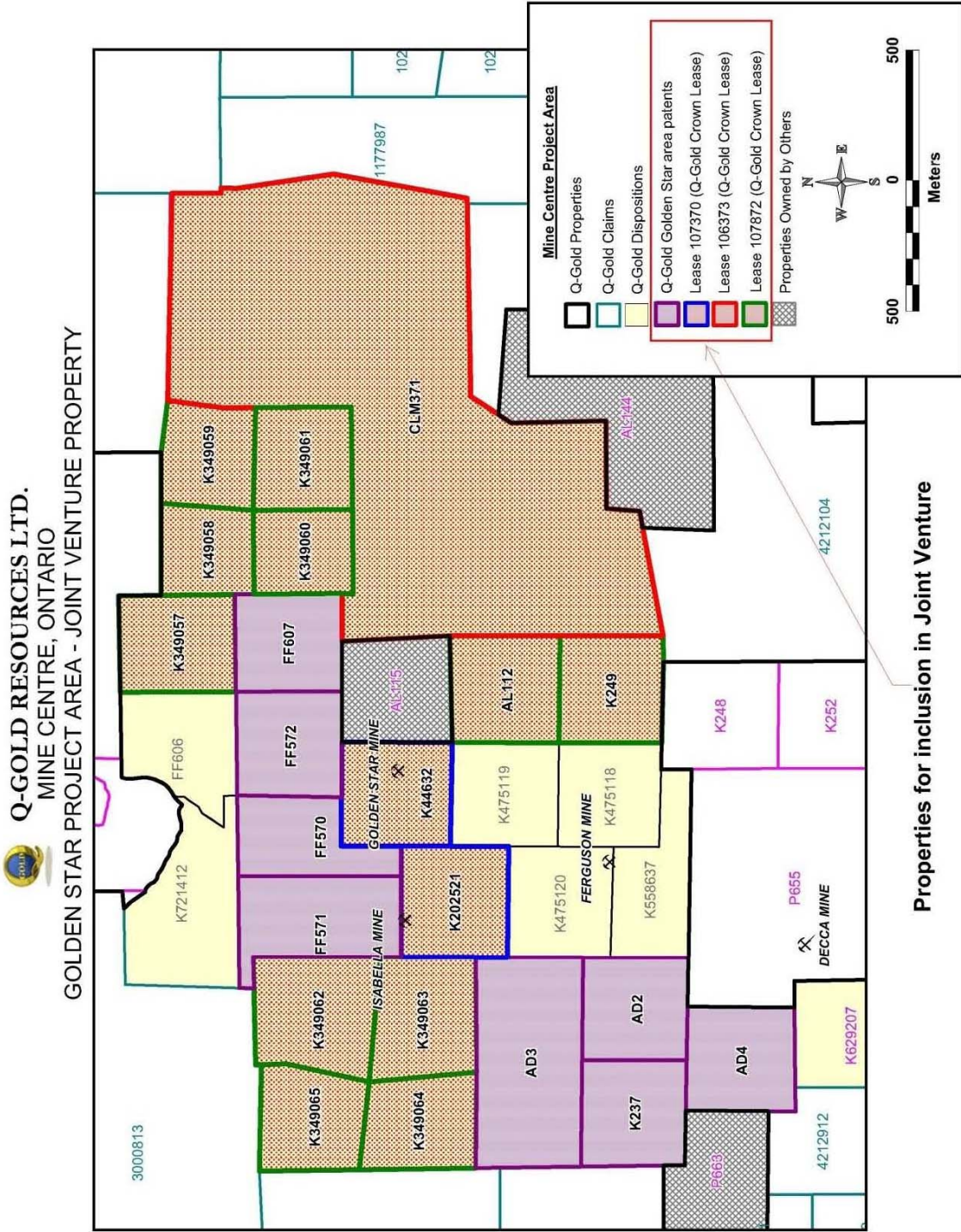
**SCHEDULE "A"
PROPERTY DESCRIPTION**

MINE CENTRE, ONTARIO

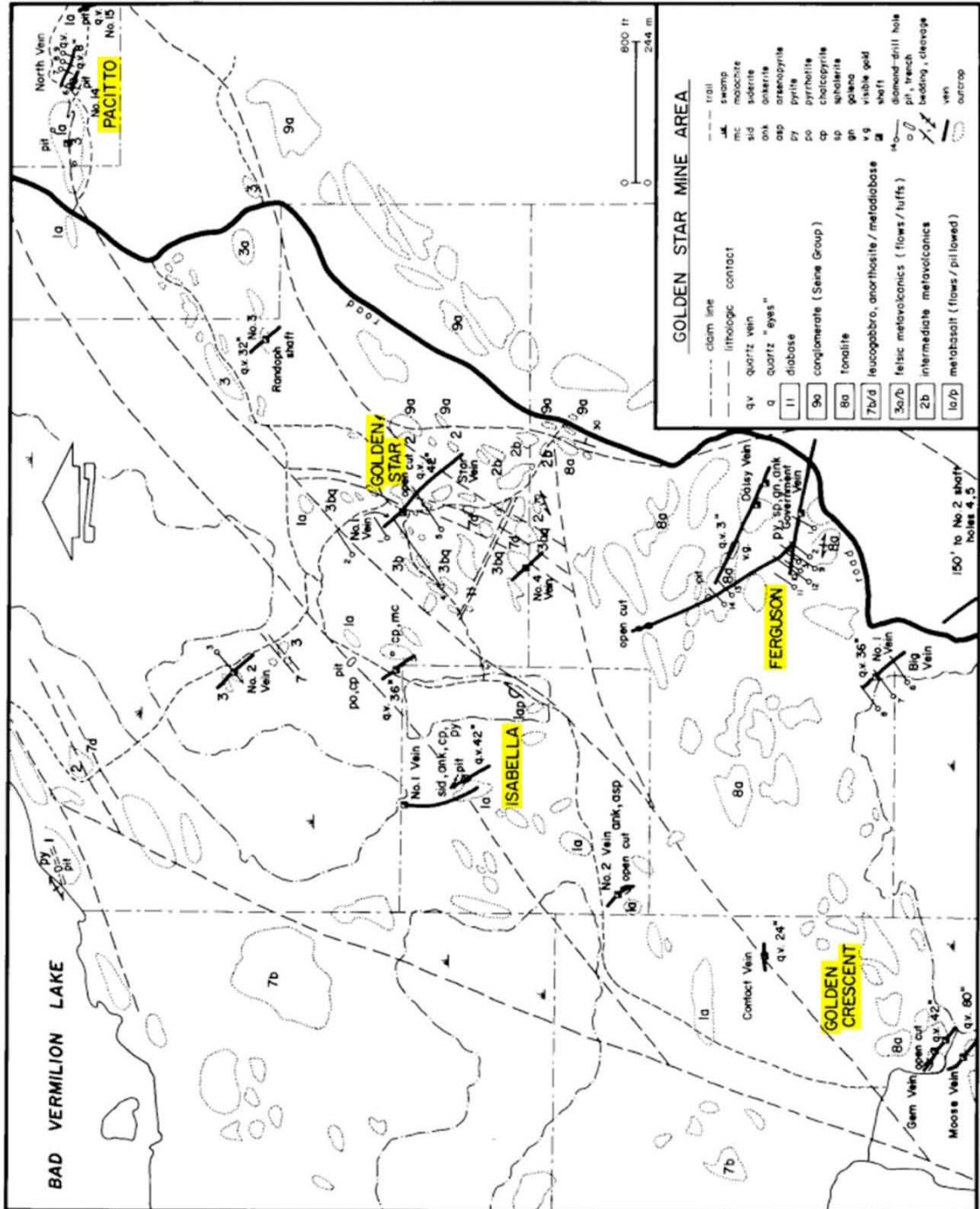
GENERAL GEOLOGY AND LOCATION MAP, GOLDEN STAR, BASELINE AND NUGGET VEIN GOLD PROSPECTS



PROPERTY MAPS – GOLDEN STAR PROPERTY

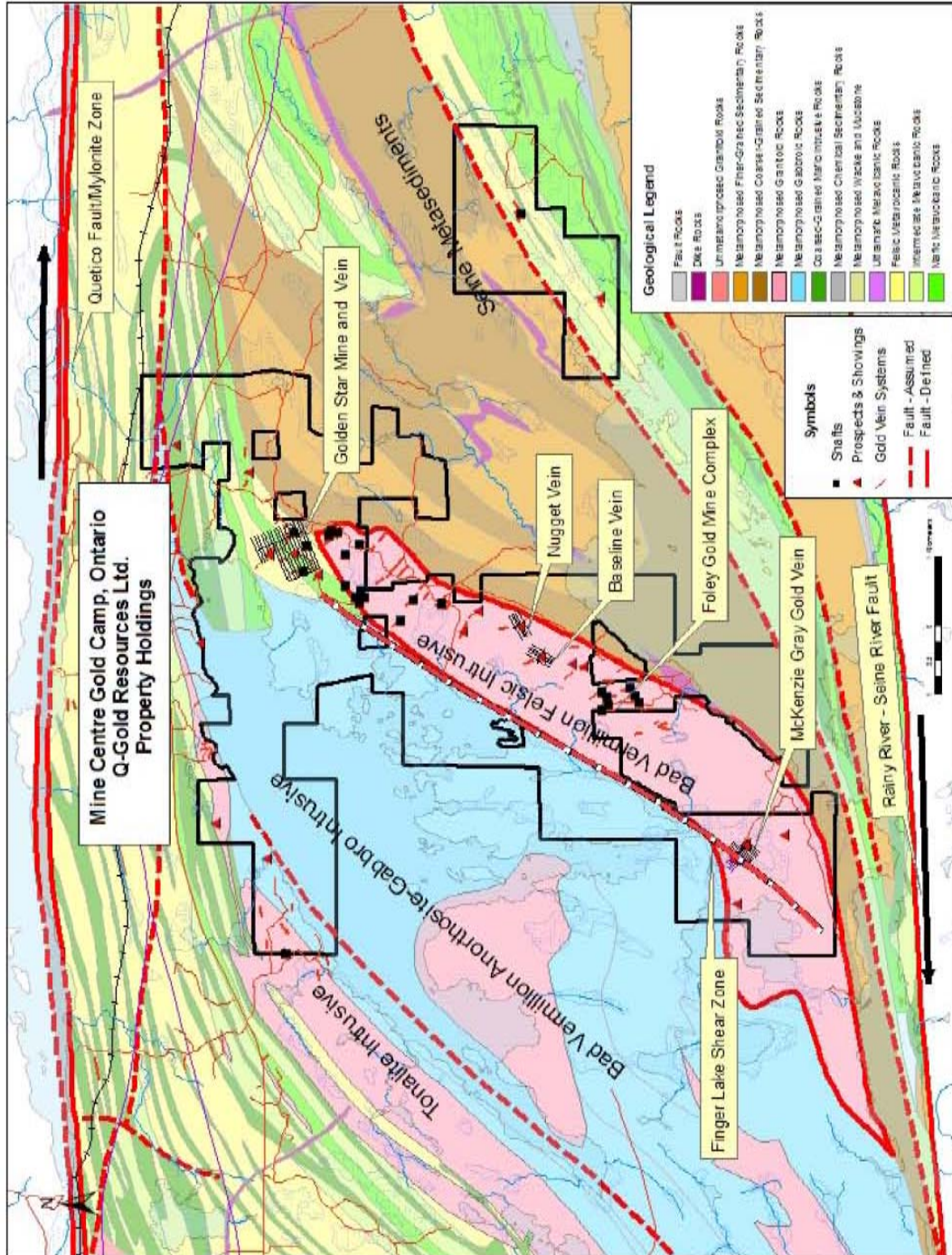


GOLDEN STAR JOINT VENTURE PROJECT INDIVIDUAL GOLD MINES AND "PACITTO" PROSPECT



MINE CENTRE, ONTARIO

GENERAL GEOLOGY AND LOCATION MAP, GOLDEN STAR, BASELINE AND NUGGET VEIN GOLD PROSPECTS



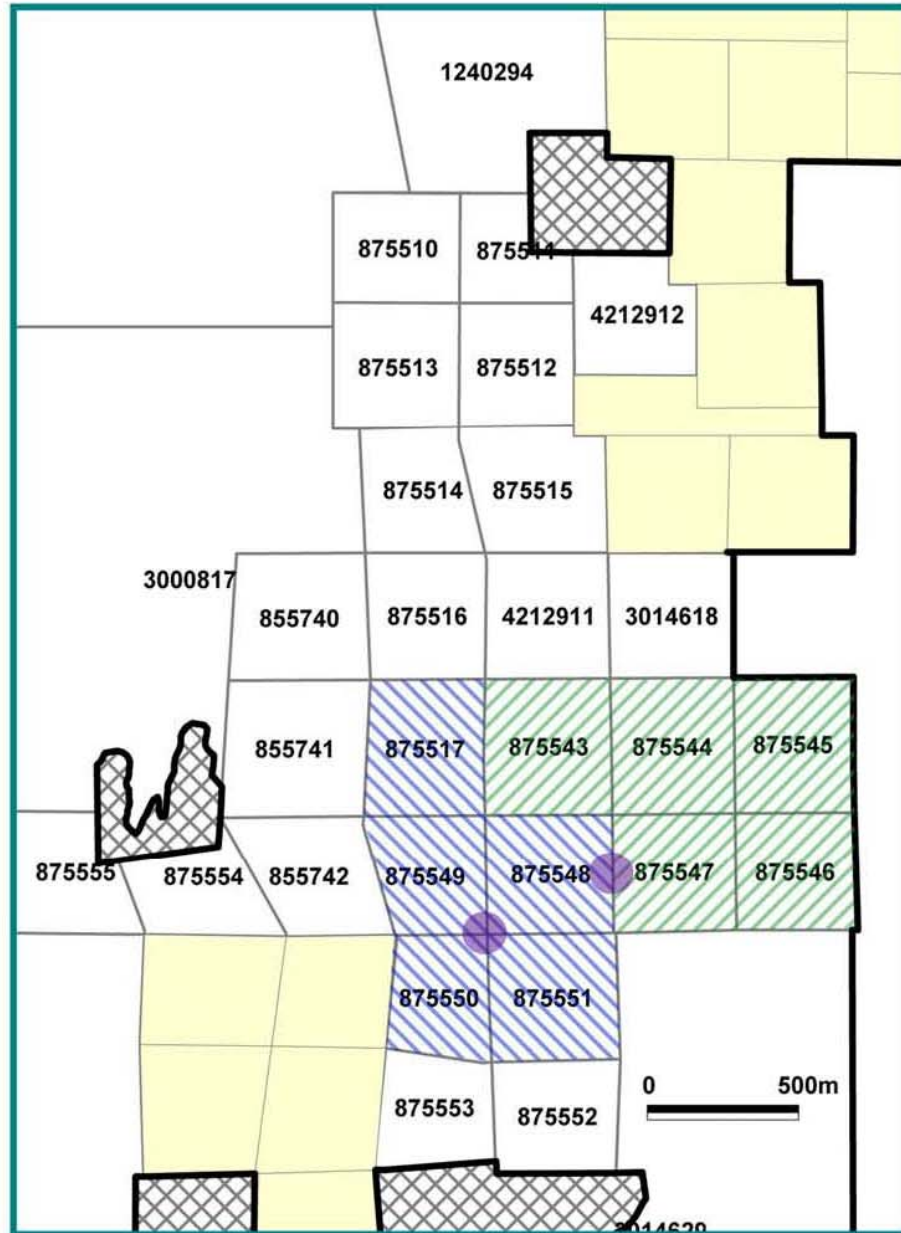
PROPERTY DESCRIPTIONS

Q-GOLD (ONTARIO) LTD. BASELINE AND JUGGET VEIN CLAIMS JOINT VENTURE PROPERTY





All properties located on the Ontario Ministry of Northern Development & Mines "Mining & Tenure Map" Plan G-2665.

Item #	Claim #s	Group Name	Expiry Date	Owner	Underlying NSR	Acreage
1	875517	Baseline Vein	2011-Jul-09	Q-Gold (Ontario) Ltd.	2%	40
2	875548	Baseline Vein	2011-Jul-09	Q-Gold (Ontario) Ltd.	2%	40
3	875549	Baseline Vein	2011-Jul-09	Q-Gold (Ontario) Ltd.	2%	40
4	875550	Baseline Vein	2011-Jul-09	Q-Gold (Ontario) Ltd.	2%	40
5	875551	Baseline Vein	2011-Jul-09	Q-Gold (Ontario) Ltd.	2%	40
6	875543	Nugget Vein	2011-Jul-09	Q-Gold (Ontario) Ltd.	2%	40
7	875544	Nugget Vein	2011-Jul-09	Q-Gold (Ontario) Ltd.	2%	40
8	875545	Nugget Vein	2011-Jul-09	Q-Gold (Ontario) Ltd.	2%	40
9	875546	Nugget Vein	2011-Jul-09	Q-Gold (Ontario) Ltd.	2%	40
10	875547	Nugget Vein	2011-Jul-09	Q-Gold (Ontario) Ltd.	2%	40
Total						400

MINE CENTRE, ONTARIO
JOINT VENTURE PROPERTIES
BASELINE AND NUGGET VEIN CLAIMS



LEGEND

- | | | | |
|---|----------------------|--|------------------------|
|  | Baseline Vein Claims |  | IP Anomaly |
|  | Nugget Vein Claims |  | Owned by Third Parties |

**SCHEDULE “B”
JOINT VENTURE AGREEMENT**

THIS AGREEMENT is made as of the <*> day of <*>, 2013

AMONG:

Q-GOLD RESOURCES LTD., a company existing under the laws of the Province of British Columbia

(hereinafter called (“**Q-Gold**”))

OF THE FIRST PART

AND:

CADMAN RESOURCES INC., a company existing under the laws of the Province of British Columbia

(hereinafter called (“**Cadman**”))

OF THE SECOND PART

WHEREAS:

- A. Q-Gold and Cadman own certain mineral properties in the Province of Ontario, which mineral properties are described in Schedule A and are defined in Section 1.31; and
- B. Q-Gold and Cadman wish to participate in the exploration and evaluation, and if feasible, the development and mining of mineral resources within the properties;

NOW, THEREFORE, this Agreement witnesses that for good and valuable consideration, the receipt and sufficiency of which each of the parties acknowledges, the parties hereto agree as follows:

**ARTICLE 1
DEFINITIONS AND INTERPRETATIONS**

- 1.1 “**Accounting Procedure**” means the procedure set forth in Schedule B.
- 1.2 “**Affiliate**” has the meaning assigned to it in the *Business Corporations Act* (Ontario).
- 1.3 “**Agreement**” means this Agreement, including all written amendments and modifications thereof, and all schedules and exhibits, which are incorporated herein by this reference.
- 1.4 “**Area of Interest**” has the meaning assigned to it in Section 13.

- 1.5 **“Assets”** means the Property, Products and all other personal property now or hereafter held by the Manager for the benefit of the Participants hereunder.
- 1.6 **“Budget”** means a detailed estimate of all Costs to be incurred by the Participants with respect to a Program and **“Budgetary Period”** means the Budgetary Period established in a Program and Budget.
- 1.7 **“Control Interest”** means an interest which allows the holder to direct or cause the direction of the management and policies of an Affiliate through the legal or beneficial ownership of voting securities, the right to appoint directors or management, contract, voting trust or otherwise.
- 1.8 **“Costs”** means all items of outlay and expense whatsoever, direct or indirect, with respect to Operations including without limitation those detailed in Section 2. 1 to 2. 14 inclusive of the Accounting Procedures and payments to be made under the Navarro Agreement.
- 1.9 **“Cover Payment”** has the meaning assigned to it in Section 9.4.
- 1.10 **“Development”** means all preparation for the removal and recovery of Products, including the construction or installation of a mill or any other improvements to be used for the mining, handling, milling, processing or other beneficiation of Products.
- 1.11 **“Diluting Date”** means the date described in Section 5.3.
- 1.12 **“Diluting Participant”** means a Participant who elects not to participate in an adopted Program and Budget to the full extent of its Participating Interest as described in Section 5.3.
- 1.13 **“Effective Date”** means the date first written above.
- 1.14 **“Exploration”** means all activities directed toward ascertaining the existence, location, quantity, quality or commercial value of deposits or Products. Exploration shall include all activities undertaken through to the completion of a Feasibility Study, if any, but shall not include construction of milling or processing facilities or commencement of commercial mining operations on the Property.
- 1.15 **“Feasibility Study”** means a technical report to be prepared by the Manager or a contractor or contractors employed by the Manager, which report shall be in a form reasonably acceptable to present to lending institutions for the purpose of soliciting financing to construct a mine, and which shall be based upon the Exploration and Development work performed prior to the date of such report, which report shall consider, in good faith, the following elements:
- (a) the results of such Exploration work and Development work, including analyses of a proposal for mining, processing and beneficiation of Products; proposed mining, milling, and production rates; a proposal for placement of facilities; a proposal for waste treatment and handling; the estimated recoverable reserves of

Products, and the estimated mineral composition and content thereof; a general conceptual analysis of the permitting and environmental liability implications of the proposal; appropriate metallurgical tests to project the efficiency of proposed extraction, recovery and, if applicable, processing techniques; and such other analyses as deemed appropriate by the Manager;

- (b) General estimates of capital costs for the Development and start-up of a mine, and, if proposed, of a mill and other processing and ancillary facilities, which cost estimates shall include:
 - (i) reasonable estimates of all material expenditures required to purchase, construct and install all material, machinery, equipment and other facilities and infrastructure (including contingencies) required to bring a mine into commercial production;
 - (ii) reasonable estimates of material expenditures required to perform all other related work required to commence commercial production of Products (including reasonable estimates of working capital requirements, if any); and
 - (iii) reasonable estimates of all other material direct and indirect costs and general and administrative expenses that may be required for an evaluation of the proposed production levels;

capital cost estimates shall include a schedule of the timing of the estimated material capital requirements for such proposal;

- (a) A general estimate of the annual expenditures required for the first year of Operations after completion of the capital program described in paragraph 1.14 (b) above, and for subsequent years of Operations, including estimates of annual production, administrative, operating and maintenance expenditures, taxes (other than income taxes), working capital funding requirements, royalties, material equipment leasing or material supply contract expenditures, expansion or modification of capital requirements, work commitments, and all other anticipated material costs of Operations. This analysis shall also include a general estimate of the number of employees required to conduct Operations;
- (b) A review of the nature, extent and rated capacity of the mining equipment and a proposed production schedule; and
- (c) Such other information as the Manager deems appropriate.

1.16 “**Government Authority**” means any foreign, national, provincial, local or state government, any political subdivision or any governmental, judicial, public or statutory instrumentality, court, tribunal, agency (including those pertaining to health, safety or the environment), authority, body or entity, or other regulatory bureau, authority, body or entity having legal jurisdiction over the activity or Person in question.

- 1.17 **“Joint Account”** means the account maintained in accordance with the Accounting Procedure showing the charges and credits according to the Participants.
- 1.18 **“Joint Venture”** has the meaning ascribed thereto in Section 3.1.
- 1.19 **“Management Committee”** means the committee established under Article 6.
- 1.20 **“Manager”** means the Person appointed under Article 7 to manage Operations and any individual appointed representative thereof, or any successor Manager and such Manager’s individual representative.
- 1.21 **“Mining”** means the mining, extracting, producing, handling, milling, beneficiation or other processing of Products.
- 1.22 **“Net Profits Royalty”** has the meaning assigned to it in Schedule C hereto.
- 1.23 **“Net Worth”** means the remainder after total liabilities are deducted from total assets, determined in accordance with generally accepted accounting principles.
- 1.24 **“Non-Diluting Participant”** means a Participant other than the Diluting Participant as described in Section 5.4.
- 1.25 **“Operations”** means all activities carried out after the date of this Agreement on or in respect of the Property including without limitation Exploration, Development and Mining.
- 1.26 **“Participant”** and **“Participants”** means the persons or entities that from time to time have Participating Interests.
- 1.27 **“Participating Interest”** means an undivided beneficial interest in the Assets and all rights and obligations arising under this Agreement, as such interest may from time to time be adjusted hereunder, expressed as a percentage. Participating Interests shall be calculated to three decimal places and rounded to two (e.g., 1.519% rounded to 1.52%). Decimals of .005 or more shall be rounded up to .01, decimals of less than .005 shall be rounded down. The initial Participating Interest of the Participants are set forth in Section 5.1.
- 1.28 **“Person”** includes any individual, firm, partnership, joint venture, venture capital fund, association, trust, trustee, executor, administrator, legal personal representative, estate, group, body corporate, corporation, unincorporated association or organization, Government Authority, syndicate or other entity, whether or not having legal status.
- 1.29 **“Prime Rate”** means at any particular time the annual rate of interest announced from time to time by the Royal Bank of Canada, main branch, Toronto, Ontario as a reference rate then in effect for determining floating rates of interest on Canadian dollar loans made in Canada and as to which from time to time a certificate of an officer of the Royal Bank of Canada shall become conclusive evidence.

- 1.30 **“Project”** means anyone of the Properties and any facilities, plant, machinery, equipment, structures and buildings thereon or therein including, without limitation, any mine and the workings belonging thereto, any mill and refining and beneficiating facilities and any ancillary facilities thereto.
- 1.31 **“Production Decision”** has the meaning assigned to it in Subsections 8.8(b) and 8.8(d).
- 1.32 **“Products”** means all ore, minerals and mineral resources produced from the Property under this Agreement.
- 1.33 **“Program”** means a description in reasonable detail of the scope, direction and nature of the Operations to be conducted and objectives to be accomplished by the Manager for a year or any other reasonable period.
- 1.34 **“Property”** means that mineral property or those mineral properties described in Schedule A hereto together with any renewal thereof and any other form of successor or substitute title thereto.
- 1.35 **“Transfer”** means sell, grant, assign, encumber, pledge or otherwise commit or dispose of.
- 1.36 For all purposes of this Agreement, except as otherwise expressly provided or unless the context otherwise requires:
- (a) all references in this Agreement to designated **“Articles”**, **“Sections”**, **“Subsections”** and other subdivisions are to the designated Articles, Sections, Subsections and other subdivisions of this Agreement;
 - (b) the words **“herein”**, **“hereof”** and **“hereunder”** and other words of similar import refer to this Agreement as a whole and not to any particular Article, Section or other subdivision;
 - (c) the heading; of this Agreement are for convenience only and do not form a part of this Agreement nor are they intended to interpret, define or limit the scope, extent or intent of this Agreement or any provisions hereof;
 - (d) the word **“including”**, when following any general statement, term or matter, shall not be construed to limit such general statement, term or matter to the specific items or matters set forth immediately following such word or to similar items or matters, whether or not non-limiting language (such as **“without limitation”** or **“but not limited to”** or words of a similar import) is used with reference thereof but rather shall be deemed to refer to all other items or matters that could reasonably fall within the broadest possible scope of such general statement, term or matter;
 - (e) words importing the singular number only shall include the plural and vice versa, words importing the neuter gender shall include the feminine and masculine genders and vice versa and words importing persons shall include individuals,

partnerships, associations unincorporated organizations, trusts and corporations and vice versa.

1.37 Attached hereto and forming part of this Agreement are the following Schedules:

Schedule A - Property
Schedule B - Accounting Procedure
Schedule C - Net Profits Royalty

ARTICLE 2 REPRESENTATIONS AND WARRANTIES; TITLE TO ASSETS

2.1 Representations and Warranties

Each of the Participants represents and warrants to the other as follows:

- (a) that it has the capacity to enter into and perform this Agreement and all transactions contemplated herein and that all other actions required to authorize it to enter into and perform this Agreement have been properly taken;
- (b) that it will not breach any other agreement or arrangement by entering into or performing this Agreement;
- (c) that this Agreement has been duly executed and delivered by it and is valid and binding upon it in accordance with its terms;
- (d) that no consent or approval of any third party or governmental agency is required for the execution, delivery or performance of this Agreement or the transfer or acquisition of any interest in the Assets or, if such consent or approval is required, such consent or approval has been obtained and evidence thereof delivered to the other Participant; and
- (e) it owns, either itself or through its wholly owned Affiliate, its Initial Participating Interest free and clear of all liens, charges, encumbrances, security interests and adverse claims.

The representations and warranties set forth above shall survive the execution and delivery of any documents of Transfer provided under this Agreement.

2.2 Disclosures

Each of the Participants represents and warrants to the other that it is unaware of any material facts or circumstances which have not been disclosed in this Agreement, which should be disclosed to the other Participant in order to prevent the representations in this Article 2 from being materially misleading.

2.3 Covenants

Each of the Participants will from time to time give prompt notice to the others of any notice of default, lawsuit, proceeding, action or damages of which it becomes aware and which might affect it the Assets or the title of any Participant to the Property.

2.4 Title

Title to the Assets and the Property, shall be held in the name of the Manager in trust for the Participants in proportion to their Participating Interests as adjusted from time to time. Each Participant shall have the right to receive, forthwith upon making demand therefor, from the Manager such documents as it may reasonably require to confirm its Participating Interest.

ARTICLE 3 NAME, PURPOSES AND TERM

3.1 General

Q-Gold and Cadman hereby agree to associate and participate in a joint venture for the purposes hereinafter stated and agree that all of their rights and all of the Operations on or in connection with the Property shall be subject to and governed by this Agreement (the “**Joint Venture**”).

3.2 Purposes

This Agreement is entered into for the following purposes and for no others and shall serve as the exclusive means by which the Participants or either of them accomplishes such purposes:

- (a) to conduct Exploration of the Property;
- (b) to evaluate the possible Development and Mining of the Property;
- (c) to engage in Operations on the Property; and
- (d) to perform any other activity necessary, appropriate, or incidental to any of the foregoing normal to responsible mining industry practise.

3.3 Limitation

Unless the Participants otherwise agree in writing, the Operations shall be limited to the purposes described in Section 3.2 and nothing in this Agreement shall be construed to enlarge such purposes.

3.4 Effective Date and Term

The effective date of this Agreement shall be the date first recited above. The term of this Agreement shall be for 20 years from the effective date and for so long thereafter as Products are produced from the Property or the Participants are actively engaged in Exploration or Development of the Property or post-Mining reclamation Operations are being conducted, unless the Agreement is earlier terminated as herein provided.

ARTICLE 4
RELATIONSHIP OF THE PARTICIPANTS

4.1 No Partnership

Nothing contained in this Agreement shall be deemed to constitute either Participant the partner of the other, nor, except as otherwise herein expressly provided, to constitute either Participant the agent or legal representative of the other, nor to create any fiduciary relationship among them. It is not the intention of the Participants to create, nor shall this Agreement be construed to create, any mining, commercial or other partnership. Neither of the Participants shall have any authority to act for or to assume any obligation or responsibility on behalf of the other, except as otherwise expressly provided herein. The rights, duties, obligations and liabilities of the Participants shall be several and not joint or collective. Each Participant shall be responsible only for its obligations as herein set out and shall be liable only for its share of the costs and expenses as provided herein, it being the express purpose and intention of the Participants that their ownership of Assets and the rights acquired hereunder shall be as tenants-in-common.

4.2 Other Business Opportunities

Except as expressly provided in this Agreement, including with regard to Section 1.4, Area of Interest, each party shall have the right independently to engage in and receive full benefits from business activities, whether or not competitive with the Operations, without consulting the other. The doctrines of “**corporate opportunity**” or “**business opportunity**” shall not be applied to any other activity, venture, or operation of any Participant and no Participant shall have any obligation to the others with respect to any opportunity to acquire any property outside the exterior boundaries of the Property at any time. Unless otherwise agreed in writing, no Participant shall have any obligation to mill, beneficiate or otherwise treat any Products or any other Participant’s share of Products in any facility owned or controlled by such Participant.

4.3 Taxation

All costs of Operations incurred hereunder shall be for the account of the Participant or Participants making or incurring the same, if more than one then in proportion to their respective Participating Interests, and each Participant on whose behalf any costs have been so incurred shall be entitled to claim all tax benefits, write-offs and deductions with respect thereto.

ARTICLE 5
INTERESTS OF PARTICIPANTS

5.1 Initial Participating Interests

The initial Participating Interests of the Participants shall be as follows:

Cadman	55%
Q-Gold	45%

5.2 Changes in Participating Interests

The Participating Interests shall be subject to alteration as follows:

- (a) as provided in Section 5.3, upon an election by a Participant pursuant to Section 8.4 to contribute less to an adopted Program and Budget than the percentage reflected by its Participating Interest; or
- (b) as provided in Section 9.4, in the event of default by a Participant in making its agreed upon contribution to an adopted Program and Budget; or
- (c) transfer by a Participant of less than all of its Participating Interest in accordance with Article 15; or
- (d) acquisition of less than all or part of the Participating Interest of another Participant, however arising; or
- (e) as provided in Section 5.3, SubSection 8.8(c), SubSection 8.8(d) or Section 10.1.

5.3 Voluntary Reduction in Participation

- (a) A Participant may elect, as provided in Section 8.4, to contribute to an adopted Program and Budget in some lesser amount than its Participating Interest, or not to contribute at all. Each Participant shall have the right to elect to participate or not to participate without regard to its vote on adoption of the Program and Budget. The Participating Interest of such Diluting Participant will be reduced effective as of the date the adopted Program and Budget is commenced (the **“Diluting Date”**).
- (b) Unless otherwise expressly provided the revised Participating Interest of each Participant shall be recalculated in accordance with the following formula:

$$P.I. = \frac{P.E. + C.E.}{T.P.E. + T.C.E.} \times 100$$

where:

P.I. = the Participating Interest of a Participant;

P.E. = the total previous expenditures incurred by a Participant;

C.E. = the expenditures which a Participant has committed itself to make;

T.P.E. = the total previous expenditures incurred by all of the Participants;
and

T.C.E. = the total expenditures which the Participants have committed themselves to make.

- (c) At the end of each Budgetary Period, a final recalculation of each Participant's Participating Interest shall be made, with the provisional recalculations made under Subsection 5.3(b) adjusted to reflect actual debits, credits and contributions made during that period. A Diluting Participant shall retain all of its rights and all

of its obligations (except as provided in Subsection 5.3(b) above and subject to the provisions of Section 5.4) including the right to participate in future Programs and Budgets at its recalculated Participating Interest.

- (d) A Participant that reduces its Participating Interest pursuant to this Section 5.3 shall have the right to redeem its position if the actual Costs are less, by at least 20%, than the budget as set out in the Program and Budget to which the Participant had limited its contributions. Otherwise the reduction is final. The Manager shall at least 30 days prior to the Management Committee meeting at which the next subsequent Program and Budget is to be adopted provide to all Participants including the reducing Participant a complete statement of Costs incurred to date and an estimate of Costs to be incurred to complete the Program and Budget to which the reducing Participant did not contribute. If the reducing Participant has the right to redeem its position as aforesaid, the reducing Participant shall inform the Management Committee prior to the said meeting of its wish to do so. A Participant redeeming its Participating Interest shall pay the Costs it would have paid had it participated to the fullest extent possible in the Program and Budget to which the reducing Participant did not contribute, plus interest thereon from the date of any expenditure to the date of payment at an annual rate equal to the Prime Rate. Such payment shall be made by the redeeming Participant to the other Participant within 30 days of receipt from the other Participants of an invoice for its share.

5.4 Conversion of Minority Interest to Royalty

- (a) If a Participant's Participating Interest is reduced to less than 10% under the provisions of Section 5.3 the Participant shall be deemed to have withdrawn from this Agreement and shall relinquish its entire Participating Interest. Such relinquished Participating Interest shall be and be deemed to have been transferred automatically to the other Participant or, if more than one, to the other Participants pro rata in accordance with their respective Participating Interests. The Participant which has relinquished its Participating Interest shall in lieu thereof have the right to be paid the royalty provided in Article 10.
- (b) For purposes of this Section 5.4 the determination of whether a Participant's Participating Interest has been reduced to less than 10% under the provisions of Section 5.3 shall be made on the basis of the provisionally recalculated Participating Interest provided for under Subsection 5.3(b), and the relinquishment, withdrawal and entitlements provided for in this Section 5.4 shall be effective as of the Diluting Date. However, if the final adjustment, provided for under Subsection 5.3(c), results in a recalculated Participating Interest of 10% or more:
 - (i) the Diluting Participant's recalculated Participating Interest shall, effective as of the last day of the Budgetary Period, be deemed to have automatically reverted;

- (ii) such Participant shall be reinstated as a Participant, with all of the rights and obligations pertaining thereto;
- (iii) the royalty interest (if any) revested or vested under the terms of Subsection 5.4(a) shall terminate; and
- (iv) the Participants shall make such reimbursements, reallocations of production, contributions and other adjustments as are necessary so that, to the extent possible, each Participant will be placed in a position it would have been in had adjusted recalculated Participating Interest been in effect throughout the Budgetary Period.

5.5 Continuing Liabilities Upon Adjustments of Participating Interests

Subject to Article 9 any reduction or forfeiture of a Participant's Participating Interest shall not relieve such Participant of its share of any liability whether it accrues before or after such reduction or forfeiture, arising out of Operations conducted prior thereto. For purposes of the foregoing, such Participant's share of such liability shall be equal to its Participating Interest at the time such liability was incurred. The increased Participating Interest accruing to a Participant as a result of the reduction of the other Participant's Participating Interest shall be free of royalties, liens or other encumbrances rising by, through or under such other Participant, other than those existing at the time the Property was acquired or those to which all Participants have given their written consent. Any adjustment to a Participating Interest need not be evidenced during the term of this Agreement by the execution and recording of appropriate instruments, but each Participant's Participating Interest shall be shown in the books of the Manager. However, any Participant, at any time upon the request of another Participant, shall execute and acknowledge instruments necessary to evidence such adjustment in form sufficient for recording in the jurisdiction where the Property is located.

ARTICLE 6 MANAGEMENT COMMITTEE

6.1 Organization and Composition

Within 30 days after the execution of this Agreement, the Participants by notice to each other of their respective appointed members shall establish a Management Committee to determine overall policies, objectives, procedures, methods and actions under this Agreement. The Management Committee shall consist of three members two of which shall be appointed by Cadman. Each Participant may appoint one or more alternates to act in the absence of a regular member. Any alternate so acting shall be deemed a member at the time it is acting. Appointments shall be made or changed by notice to the other Participants.

6.2 Decisions

Each Participant, acting through its appointed member shall have a vote on the Management Committee equal to its Participating Interest. All decisions of the Management Committee shall be decided by a simple majority vote of the Participating Interests. The members or the alternate

members; as the case may be, shall be authorized to bind the Participants at all meetings of the Management Committee.

6.3 Meetings

The Management Committee shall hold regular meetings at least annually in Toronto, Ontario, or at other mutually agreed places. The Manager shall give 30 days' notice to the Participants of such regular meetings. Additionally any Participant may call a special meeting upon five days' notice to the Manager and other Participants. In case of emergency, reasonable notice of a special meeting shall suffice. There shall be a quorum if notice was given as provided in this Section 6.3 and the representatives of a majority of the Participants are present. If a quorum is not present, the meeting shall be adjourned to the same time on the next business day at the same place and a quorum shall be present if at least one member representing one Participant is present. Each notice of a meeting shall include an itemized agenda prepared by the Manager in the case of a regular meeting, or by the Participant calling the meeting in the case of a special meeting, but any matters may be considered with the consent of all Participants if all Participants are present. The Manager shall prepare minutes of all meetings and shall distribute copies of such minutes to the Participants within 10 days after the meeting. The minutes, when signed by all Participants, shall be the official record of the decisions made by the Management Committee and shall be binding on the Manager and the Participants. If personnel employed in Operations are required to attend a Management Committee meeting, reasonable costs incurred in connection with such attendance shall be a Joint Venture cost. All other costs shall be paid for by the Participants individually.

6.4 Action Without Meeting

In lieu of meetings, the Management Committee may hold telephone conferences so long as all decisions are immediately confirmed in writing by all of the Participants.

6.5 Matters Requiring Approval

The Management Committee shall have ultimate authority to determine all management matters related to this Agreement and all determinations made by the Management Committee shall be binding on each Participant. The authority shall be delegated to the Manager and the Management Committee will provide overall direction and guidance to the Manager, who will be responsible for implementing approved Programs and Budgets and carrying out the overall objectives of this Agreement, including but not limited to, the specific duties set forth in Section 7.2.

ARTICLE 7 MANAGER

7.1 Appointment of Manager

Cadman is hereby appointed as the Manager with overall responsibility to manage and carry out Operations. Cadman hereby agrees to serve as Manager until it resigns as provided in Section 7.4 and thereafter the Participant that holds the largest Participating Interest may elect to become Manager.

7.2 Powers and Duties of Manager

Subject to the terms and provisions of this Agreement, the Manager shall have the following powers and duties which shall be discharged in accordance with approved Programs and under the general guidance of the Management Committee:

- (a) the Manager shall manage, direct and control Operations;
- (b) the Manager shall implement the decisions of the Management Committee and shall make all expenditures necessary to carry out adopted Programs, and shall promptly advise the Management Committee if it lacks sufficient funds to carry out its responsibilities under this Agreement;
- (c) the Manager shall:
 - (i) purchase or otherwise acquire for the Joint Venture all material, supplies, equipment, water, utility and transportation services required for Operations, such purchases and acquisitions to be made on the best terms available, taking into account all of the circumstances,
 - (ii) obtain such customary warranties and guarantees as are available in connection with such purchases and acquisitions,
 - (iii) keep the Assets free and clear of all liens and encumbrances, except for those existing at the time of or created concurrently with, the acquisition of such Assets, or mechanic's or materialmen's liens which shall be released or discharged in a diligent manner, or liens and encumbrances specifically approved by the Management Committee, and
 - (iv) subject to Article 14, maintain the Property in good standing.
- (d) the Manager shall conduct such title examinations and cure such title defects as may be advisable in the reasonable judgment of the Manager;
- (e) the Manager shall:
 - (i) make or arrange for all payments required by leases, licenses, permits, contracts and other agreements related to the Assets;
 - (ii) pay all taxes, assessments and like charges on Operations and Assets except taxes determined or measured by the Participants' sales revenue or income.

If authorized by the Management Committee, the Manager shall have the right to contest in the courts or otherwise, the validity or amount of any taxes, assessments or charges if the Manager deems them to be unlawful, unjust, unequal or excessive, or to undertake such other steps or proceedings as the Manager may deem reasonably necessary to secure a cancellation, reduction,

readjustment or equalization thereof before the Manager shall be required to pay them but in no event shall the Manager permit or allow title to the Assets to be lost as the result of the nonpayment of any taxes assessments or like charges; and

- (f) the Manager shall:
 - (i) apply for all necessary permits, licenses and approvals;
 - (ii) comply with applicable laws and regulations;
 - (iii) notify promptly the Management Committee of any allegations of substantial violation thereof; and
 - (iv) prepare and file all reports or notices required for Operations. The Manager shall not be in breach of this provision if a violation has occurred and the Manager in a timely fashion takes such steps as might be available to remedy the violation or to prevent its recurrence or disposes of the same through payment of fines or penalties imposed in accordance with the law;
- (g) the Manager shall prosecute and defend as it considers appropriate, but shall not initiate without consent of the Management Committee, all litigation or administrative proceedings arising out of Operations. The Management Committee shall approve in advance any settlement involving payments (except for fines or penalties), commitments or obligations in excess of \$25,000 in cash or value;
- (h) the Manager shall obtain and maintain for itself and the other Participants such insurance, with such limits and deductibles, as would normally be maintained by a reasonably prudent operator in the circumstances, either by way of a separate policy or the extension of coverage under a “**blanket**” policy maintained by an Affiliate of the Manager, and the cost thereof shall be paid by the Participants as an item to be included in each Budget;
- (i) the Manager may dispose of Assets, whether by abandonment, surrender or sale in the ordinary course of business, except that the Property may be abandoned or surrendered only as provided in Article 14;
- (j) the Manager shall have the right, subject to Section 7.6 below, to carry out its responsibilities hereunder through agents, Affiliates or independent contractors;
- (k) the Manager shall keep and maintain all required accounting and financial records pursuant to the Accounting Procedure and in accordance with generally accepted accounting principles consistently applied;
- (l) the Manager shall keep the Management Committee advised of all Operations by submitting in writing to it a detailed report within 90 days after completion of each Program and Budget, which shall include comparisons between actual and budgeted expenditures and comparisons between the objectives and results of

Programs. At all reasonable times the Manager shall provide the Management Committee or the representatives of each Participant access to, and the right to inspect and copy all maps, drill logs, core tests, reports, surveys assays, analyses, production reports, operations, technical, accounting and financial records, and other information acquired in Operations. In addition, the Manager shall allow each Participant, at such Participant's sole risk and expense, and subject to reasonable safety regulations, to inspect the Assets and Operations at all reasonable times, so long as such Participant does not unreasonably interfere with Operations;

- (m) file as representation work under the mining laws of Ontario, to the maximum extent possible, the work performed in respect of the Property hereunder;
- (n) the Manager shall undertake all other activities reasonably necessary to fulfil the foregoing; and
- (o) in the event that Operations produce information which the Manager considers material, it will inform the other Participants as soon as it is confident of its probative value unless it believes that it would be in the best interests of the Joint Venture not to do so, provided that the Manager shall not be responsible for the accuracy or completeness thereof and shall not be liable to the other Participants for any non-performance of its obligation in this SubSection 7.2 (o).

The Manager shall not be in default of any duty under this Section 7.2 if its failure to perform results from the failure of the other Participants to perform acts or to contribute or pay amounts required of them by this Agreement.

7.3 Standard of Care

The Manager shall conduct all Operations in a good, workmanlike and efficient manner, in accordance with sound mining and other applicable industry standards and practices, and in accordance with the terms and provisions of leases, licenses, permits, contracts and other agreements pertaining to Assets. The Manager shall not be liable to the other Participants for breach of this Agreement or any other act or omission resulting in damage or loss unless the same constitutes the Manager's wilful misconduct or gross negligence.

7.4 Resignation; Deemed Offer to Resign

The Manager may resign upon one month's prior notice to the other Participant. If any of the following shall occur the Manager shall be deemed to have offered to resign, which offer shall be accepted by the other Participant other than the Manager, if at all, within 60 days following such deemed offer:

- (a) the Manager fails to perform a material obligation imposed upon it under this Agreement and does not within 60 days after notice from the Management Committee demanding performance commence in good faith to remedy the failure or to take steps to prevent its recurrence; or

- (b) a receiver, liquidator, assignee, custodian, trustee, sequestrator or similar official for a substantial part of its assets is appointed and such appointment is neither made ineffective nor discharged within 60 days after the making thereof or such appointment is consented to, requested by, or acquiesced in by the Manager; or
- (c) the Manager commences a voluntary case under any applicable bankruptcy, insolvency or similar law now or hereafter in effect; or consents to the entry of an order for relief in an involuntary case under any such law or to the appointment of or taking possession by a receiver, liquidator, assignee, custodian, trustee, sequestrator or other such similar official of any substantial part of its assets; or makes a general assignment for the benefit of creditors; or fails generally to pay its debts as such debts become due; or takes corporate or other action in furtherance of any of the foregoing; or
- (d) the Manager defaults in its obligation to pay a contribution or cash call hereunder; or
- (e) the Participating Interest of the Manager is reduced by operation of Section 5.3 or SubSection 9.4(d) and, after such reduction, another Participant holds a larger Participating Interest.

7.5 Payment to Manager

The Participants will compensate the Manager for its services and reimburse the Manager for its costs hereunder in accordance with the Accounting Procedure. If a Production Decision is made as provided in Section 8.8, the administrative charge payable to the Manager as provided in Section 2.13 of the Accounting Procedure shall be revised to provide that the Manager shall be entitled to a management fee, which shall be a reasonable fee commensurate with accepted customary or usual practice in the industry for an operation of a project similar to that of the Joint Venture which shall be subject to change from time to time depending on how onerous the duties and obligations of the Manager are. In the event that the Participants are unable to agree on the amount and structure of such management fee, the determination of same shall be referred to binding arbitration pursuant to the *Arbitration Act* (Ontario). The Participants acknowledge and agree that it is their current intention that subject to consideration of corporate and tax matters at or prior to commencement of commercial production from the Property the Participants may establish a joint operating company to hold the Property (or such of the Property that is to be placed into production). Such a joint operating company would be governed by an agreement between the Participants having terms substantially similar, to the extent practical, to the terms contained herein relating to the Joint Venture.

7.6 Transaction with Affiliates

The Manager may engage Affiliates to provide services, supplies, equipment or machinery hereunder, provided that it shall do so on terms no less favourable to the Joint Venture than would be the case with unrelated persons in arm's length transactions.

7.7 Activities Absent Approved Plan and Budget

If the Management Committee for any reason fails to adopt a Program and Budget, then subject to the contrary direction of the Management Committee and to the receipt of necessary funds, the Manager shall continue Operations at levels necessary to maintain and protect the Assets and to comply with all contractual and regulatory obligations related thereto. The Participants shall be obligated to fund such Operations until a new Program and Budget has been adopted. For purposes of determining the required contributions of the Participants and their respective Participating Interests, the last adopted Program and Budget shall be deemed to have been extended.

7.8 Independent Contractor

The Manager is and shall act as an independent contractor and not as the agent of the other Participant. The Manager shall maintain complete control over its employees and all of its subcontractors with respect to performance of the Operations. Nothing contained in this Agreement or any subcontract awarded by the Manager shall create any contractual relationship between any subcontractor and the other Participant. The Manager shall have complete control over and supervision of Mining Operations and shall direct and supervise the same so as to ensure their conformity with this Agreement.

ARTICLE 8 PROGRAMS AND BUDGETS

8.1 Operations Pursuant to Programs

Except as otherwise provided in this Article 8, Operations shall be conducted and Assets shall be acquired only pursuant to approved Programs. Programs and Budgets shall be designed to set forth in reasonable detail the scope, direction and nature of Operations and establish a fiscal basis for Operations, but are not expected to constitute an enumerated list of each activity and expenditure to be undertaken by the Manager.

8.2 Programs and Budgets Prior to Feasibility Study

Subject to Section 8.4, proposed Programs and Budgets prepared prior to the commencement of the preparation of a Feasibility Study shall be prepared by the Manager for a period of twelve months or any other reasonable period approved by the Management Committee. The first Program and Budget shall be prepared by the Manager at such time as it considers appropriate. During the budgetary period encompassed by any Program and Budget and at least two months prior to its expiration, a proposed Program and Budget for the succeeding budgetary period shall be prepared by the Manager and submitted to each of the Participants. If the Management Committee fails for 365 days to adopt a Program and Budget then either Participant may, at any time before a Program and Budget is adopted, propose a Program and Budget. Unless the Management Committee approves that Program and Budget and the Participant which is the Manager elects to carry it out as Manager, then the Participant which proposed the Program and Budget shall be entitled to become the Manager and shall carry out the Program and Budget as if it had been approved by the Management Committee, and it shall be deemed to be a Program and Budget for all purposes of this Agreement including determining Participating Interests under

Section 5.2, and such Participant shall contribute the costs thereof except to the extent that the other Participant has elected to contribute to such Costs.

8.3 Review and Approval of Proposed Programs and Budgets

Within 30 days of the submission of a proposed Program and Budget, prepared pursuant to Section 8.2, by the Manager to the Participants, the Manager shall call a meeting of the Management Committee to consider the same. The Management Committee shall adopt the Program and Budget, with such modifications, if any, as it deems necessary, or reject the same and require a new submission from the Manager.

8.4 Election to Participate

Subject to Article 10, by notice to the Manager within 20 days after the vote by the Management Committee adopting a Program and Budget, each Participant including the Participant which is the Manager may elect to contribute to the Costs of such Program and Budget in proportion to its Participating Interest, in some lesser proportion or not at all. If a Participant does not elect to contribute in proportion to its Participating Interest, the Participating Interest of the Participants will be recalculated as provided in Article 5. If a Participant fails to make an election within such 20 days, it shall be deemed to have elected to contribute to such Program and Budget in proportion to its Participating Interest as of the beginning of the period covered by the Program and Budget. If any Participant elects not to contribute to a Program and Budget to the fullest extent possible, the proportion to be contributed by the Participant or Participants which elected to contribute in proportion to their Participating Interests shall be increased pro rata, subject to the right of any of them to elect not to contribute more than its proportionate share at that time. If after the operation of this Section 8.4 the Costs for a Program and Budget are not fully committed, the Program and Budget shall be deemed to be withdrawn, subject to the right of the Manager to propose a new draft Program and Budget.

8.5 Budget Overruns; Program Changes

The Manager shall immediately notify the Management Committee or any material departure from an adopted Program and Budget. If, prior to the completion of a Feasibility Study, the Manager exceeds the Budget, then the excess over the Budget of 10% of the Budget shall be for the account of the Participants in proportion to their respective Participating Interests. If the overrun exceeds 110% of the overall Budget the Manager shall terminate the Program unless such excess amount is approved by the Management Committee and then such excess shall be for the account of the Participants in proportion to their respective Participating Interests unless such excess is due to the gross negligence or wilful default of the Manager. Any amount which is excess of 110% of a Budget which is not approved by the Management Committee shall be for the account of the Manager.

8.6 Feasibility Study

Any Participant may upon 60 days notice to the Manager call a meeting to decide if the Management Committee shall request the Manager to prepare a Feasibility Study. Subject to SubSection 8.8(d) a decision to prepare a Feasibility Study shall be approved by a decision of the Management Committee.

8.7 Feasibility Study Conditions

If a meeting is called pursuant to Section 8.6 and the Management Committee decides not to prepare a Feasibility Study any Participant may elect to prepare a Feasibility Study, the cost of which shall be for the account of the Participant that prepares the Feasibility Study. The following conditions shall apply during the preparation of the Feasibility Study prepared pursuant to this Section 8.7.

- (a) The Feasibility Study shall be based on information and data obtained from Operations carried out up to the time of the commencement of the Feasibility Study.
- (b) Exploration and Development cannot proceed concomitantly during the period that the Feasibility Study is being prepared without the approval of all the Participants.
- (c) The Participant preparing the Feasibility Study shall have unrestricted access to the Property and all information, data and interpretative data obtained from Operations.

8.8 Production Decision

- (a) After the Manager prepares a Feasibility Study, pursuant to Section 8.6, it shall submit the Feasibility Study to the Management Committee. The Management Committee shall meet and decide whether further work is required to complete the Feasibility Study or the Feasibility Study is complete.
- (b) If the Management Committee determines that the Feasibility Study is complete, it shall then decide whether development of a mine is warranted. If the Management Committee makes a positive decision (a **“Production Decision”**), it shall then instruct the Manager to prepare an overall Program and Budget consistent with the Feasibility Study for all Operations through to the end of Development. Until Operations have then been completed through to the end of the Development, each Program and Budget adopted pursuant to this Article 8 (it being contemplated that the overall Program and Budget will be implemented through incremental Programs and Budgets approved pursuant to this Article 8) shall be consistent with the overall Program and Budget and the Management Committee will use reasonable efforts to ensure, but will not guarantee, that the total Costs from the completion of the Feasibility Study through Development does not exceed the overall Program and Budget by more than 20%.
- (c) If a Feasibility Study is prepared pursuant to Section 8.6 each Participant including the Participant which is Manager may elect, within 120 days of receipt of notice of a Production Decision, to contribute to the Costs of Development proposed in the Feasibility Study, in proportion to its Participating Interest, in some lesser proportion or not at all. If a Participant elects not to contribute at all it shall relinquish its Participating Interest and it shall have the right to receive a Net Profits Royalty as provided in Article 10.

- (d) If a Feasibility Study is prepared pursuant to Section 8.7 and if the Participant that prepared the Feasibility Study decides that a mine is warranted and makes a Production Decision any Participant that did not contribute to the cost of preparation of the Feasibility Study may, by paying the Participant that prepared the Feasibility Study an amount that is equal to the Participant's Participating Interest of the cost of the Feasibility Study multiplied by 150%, elect, within 120 days of the receipt of the Feasibility Study and notice of the Production Decision, to contribute to the Costs of Development proposed in the Feasibility Study in proportion to its Participating Interest, in some lesser proportion or not at all. If a Participant elects not to contribute at all it shall relinquish its Participating Interest and it shall have the right to receive a Net Profits Royalty as provided in Article 10 and after such election the Manager shall be determined in accordance with SubSection 7.4(e).
- (e) If a Production Decision is made pursuant to SubSection 8.8(d) the Manager shall prepare an overall Program and Budget consistent with the Feasibility Study for all Operations through to the end of Development. Until Operations have then been completed through to the end of the Development, each Program and Budget adopted pursuant to this Article 8 (it being contemplated that the overall Program and Budget will be implemented through incremental Programs and Budgets approved pursuant to this Article 8) shall be consistent with the overall Program and Budget and the Management Committee will use reasonable efforts to ensure, but will not guarantee, that the total Costs from the completion of the Feasibility Study through Development does not exceed the overall Program and Budget by more than 20%.
- (f) The Participants shall submit any disputes relating to a Feasibility Study or a Production Notice to binding arbitration pursuant to the *Arbitration Act* (Ontario).

8.9 Emergency or Unexpected Expenditures

In case of emergency, the Manager may take any reasonable action it deems necessary to protect life, limb or property, to protect the Assets or to comply with law or government regulation. The Manager may also make reasonable expenditures for unexpected events which are beyond its reasonable control and which do not result from a breach by it of its standard of care. The Manager shall promptly notify the Management Committee of the emergency or unexpected expenditure, and the Manager shall be reimbursed for all resulting costs by the Participants in proportion to their respective Participating Interests at the time the emergency occurred or the unexpected expenditures were incurred.

ARTICLE 9 ACCOUNTS AND SETTLEMENTS

9.1 Monthly Statements

The Manager shall promptly submit to the Management Committee monthly statements of account reflecting in reasonable detail the charges and credits to the Joint Account during the preceding month under this Agreement.

9.2 Cash Calls

Prior to the last day of each month the Manager shall submit to each Participant which has elected to contribute to the Program and Budget then in effect a billing for such Participant's share of estimated Costs for the next month. Within 30 days after receipt of each billing, each Participant shall advance to the Manager such estimated amount. Time is of the essence of payment of such billings, If the amount billed for the estimated Costs was less than the actual Costs incurred or charged during that month, the Manager may bill the Participants for the difference at any time, which the Participants will pay within 20 days following receipt of billing. With the concurrence of the Participants the Manager may establish more frequent billing cycles to minimize account balances.

9.3 Failure to Pay Billings

Any payments not made when due under Section 9.2 shall bear interest from the date due at an annual rate equal to the Prime Rate plus five percent (3%). The non-defaulting Participants shall have the rights, remedies and elections specified in Section 9.4.

9.4 Default in Making Contributions

- (a) If a Participant elects to contribute to an approved Program and Budget and then defaults in its obligation to pay a contribution or cash call hereunder, the Manager, by notice to the defaulting Participant, may at any time, but shall not be obligated to, elect to make such contribution or meet such cash call on behalf of the defaulting Participant (a "**Cover Payment**"). If more than one Cover Payment is made, the Cover Payment shall be aggregated and the rights and remedies described herein pertaining to an individual Cover Payment shall be read to apply to the aggregated Cover Payments.
- (b) Each Cover Payment shall constitute indebtedness due from the defaulting Participant to the Manager, which indebtedness shall be payable upon demand and shall bear interest from the date incurred to the date of payment at the rate specified in Section 9.3.
- (c) Each Participant other than the Manager hereby grants to the Manager, as security for repayment of the indebtedness referred to in Section 9.4(b) above together with interest thereon, reasonable legal fees and all other reasonable costs and expenses incurred in collecting payment of such indebtedness and enforcing such security interest, a mortgage of and security interest in such Participant's right,

title and interest in, whenever acquired or arising, the Assets together with all proceeds of and accessions to the foregoing. Each Participant hereby represents and warrants to the Manager that such mortgage and security interest ranks and will rank at all times prior to any and all other mortgages and security interests. Each Participant hereby agrees to take all action necessary to perfect such mortgage and security interest and irrevocably appoints the Manager as its attorney-in-fact to execute, file and record all financing statements and any other documents necessary to perfect or maintain such mortgage and security interest or otherwise give effect to the provisions hereof. Upon default being made in the payment of the indebtedness referred to in Section 9.4(b) when due the Manager for itself and any other Participant which contributed to the Cover Payment may exercise any or all of the rights and remedies available to it at common law, by statute or hereunder. Without limiting the generality of the foregoing, to the extent permitted by applicable law each Participant grants to the Manager a power of sale as to any property that is subject to the mortgage and security interest granted hereunder, such power to be exercised in the manner provided by applicable law or otherwise in a commercially reasonable manner and upon reasonable notice. In the event the Manager enforces the mortgage or security interest pursuant to the terms of this Section, the defaulting Participant waives any available right of redemption from and after the date of judgment, any required valuation or appraisal of the mortgaged or secured property prior to sale, any available right to stay execution or to require a marshalling of assets and any required bond in the event a receiver is appointed and the defaulting Participant agrees that it will be liable for any continuing deficiency.

- (d) If a Cover Payment shall have been made, upon the giving of not less than 10 days' prior notice to the defaulting Participant, the Manager may, but shall not be obligated to, elect to effect an adjustment of its Participating Interest pursuant to this Section 9.4; provided, however, that if within such ten day period the defaulting Participant pays all indebtedness owing by the defaulting Participant to the Manager, then such adjustment of interest shall not be effected. Upon such election, an amount equal to 125% times the Cover Payment shall be deducted from the total previous expenditures incurred by the defaulting Participant and added to the total previous expenditures incurred of the Manager and the Participating Interest of the defaulting Participant and the other Participant shall be recalculated in accordance with Section 5.3(b). If a Participant's Participating Interest is reduced to less than a 10% Participating Interest pursuant to Section 9.4 that Participant shall be deemed to and shall have relinquished its Participating Interest and its right to receive a Net Profits Royalty as provided in Article 10, and this Agreement shall thereupon terminate in respect of that Participant.
- (e) If a Cover Payment and the indebtedness arising therefrom shall not have been discharged then upon not less than 30 days' notice to the defaulting Participant the Manager may but shall not be obligated to, elect to purchase all the right, title and interest, whenever acquired or arising, of the defaulting Participant in the Assets, this Agreement and the Products together with all proceeds and accessions of the foregoing at a purchase price equal to 80% of the fair market value thereof

as determined by an independent appraiser appointed by the Manager (or, if the defaulting Participant objects to the person so appointed within 10 days of receiving notice thereof, then by an independent appraiser appointed by joint action of independent appraisers appointed by each of the Manager and the defaulting Participant, provided, however, that if the defaulting Participant fails to designate an independent appraiser for such purpose within 10 days of such objection, then the person originally designated by the Manager shall serve as the independent appraiser). There shall be withheld from the purchase price payable, upon transfer of such rights, title and interest, the amount of indebtedness of the defaulting Participant owing to the Manager together with unpaid interest accrued thereon to the date of such transfer. Upon payment of such purchase price, the defaulting Participant shall be deemed to have relinquished all such right, title and interest in the Assets, this Agreement and the Product to the Manager.

- (f) Upon a default of the type referred to in Section 9.4(a) above, the right of the defaulting Participant to take delivery in kind under Article 11 shall cease. The Manager if it elected to make the Cover Payment, may sell the defaulting Participant's share of Products in any commercially reasonable manner. If the Manager elects to sell the defaulting Participant's share of Products, it shall apply the proceeds thereof first, to make any contribution or meet any cash call not made or met by the defaulting Participant or made or met, on its behalf, and second to pay the indebtedness and unpaid and accrued interest thereon then owing by the defaulting Participant to the Manager. The right of a defaulting Participant to take in kind its share of Products shall be reinstated at the first time when such Participant is not in default in its obligation to make a contribution or meet a cash call and all indebtedness and interest thereon arising out of the making by the Manager of Cover Payments has been paid in full.
- (g) A defaulting Participant, by paying all indebtedness and interest thereon then owing to the Manager, if it elected to make the Cover Payment, may cure such default at any time prior to: (i) consummation of an action to execute or foreclose on a security interest granted pursuant to Section 9.4(c); or (ii) an adjustment of Participating Interest being effected pursuant to 9.4(d).

9.5 Audits

Upon request made by any Participant within 24 months following the end of any calendar year (or, if the Management Committee has adopted an accounting period other than the calendar year, within 24 months after the end of such period), the Manager shall order an audit of the accounting and financial records for such calendar year (or other accounting period). All written exceptions to and claims upon the Manager for discrepancies disclosed by such audit shall be made not more than three months after receipt of the audit report. Failure to make any such exception or claim within the three month period shall mean the audit is correct and binding upon the Participants. The audits shall be conducted by such firm of chartered accountants as may be selected by the Manager from time to time.

ARTICLE 10
INTENTIONALLY DELETED

ARTICLE 11
DISPOSITION OF PRODUCTION

11.1 Taking in Kind

Each Participant shall take in kind or separately dispose of its share of all Products in accordance with its Participating Interest. Any expenditure incurred in the taking in kind of Products by a Participant shall be borne by it. Nothing in this Agreement shall be construed as providing, directly or indirectly, for any joint or cooperative marketing or selling of Products. The Manager shall give the Participants notice at least 30 days in advance of the delivery date upon which Products will be available.

11.2 Failure of Participant to Take in Kind

If a Participant fails to take in kind, the Manager shall have the right, but not the obligation, for a period of time consistent with the minimum needs of the industry, but not to exceed one year, to purchase the Products for its own account or to sell such shares as agent for the Participant at not less than the prevailing market price in the area. The Manager shall be entitled to deduct from proceeds of any sale by it for the account of the Participant reasonable expenses and commissions incurred in such a sale.

ARTICLE 12
TERMINATION

12.1 Termination by Expiration or Agreement

This Agreement shall terminate as expressly provided in this Agreement, unless earlier terminated by written agreement.

12.2 Termination by Change of Interest

The Agreement shall terminate upon the whole of the Property being abandoned or as a result of one Participant acquiring one hundred percent (100%) of the Participating Interest and one hundred percent (100%) of the Net Profits Royalty.

12.3 Continuing Obligation

On termination of this Agreement under Section 12.1 the Participants shall remain liable for continuing obligations hereunder until final settlement of all accounts and for any liability, whether it accrues before or after termination, if it arises out of Operations during the term of the Agreement.

12.4 Disposition of Assets on Termination

Promptly after termination under Section 12.1 the Manager shall take all action necessary to wind up the activities of the Joint Venture, and all costs and expenses incurred in connection with the termination of the Joint Venture shall be expenses chargeable to the Joint Venture. The Assets shall first be paid, applied, or distributed in satisfaction of all liabilities of the Joint Venture to third parties and then to satisfy any debts, obligations, or liabilities owed to the Participants. Before distributing any funds or Assets to Participants, the Manager shall have the right to segregate amounts which, in the Manager's reasonable judgment, are necessary to discharge continuing obligations or to purchase for the account of Participants, bonds or other securities for the performance of such obligations. Thereafter, any remaining cash and all other Assets shall be distributed in undivided interests unless otherwise provided herein or otherwise agreed. No Participant shall receive a distribution of any interest in Products or proceeds from the sale thereof if such Participant's Participating Interest therein has been terminated pursuant to this Agreement.

12.5 Right to Data after Termination

After termination of this Agreement pursuant to Section 12.1 each Participant shall be entitled to copies of all information acquired hereunder before the effective date of termination not previously furnished to it.

12.6 Continuing Authority

On termination of this Agreement under Section 12.1 the Manager shall have the power and authority, subject to control of the Management Committee, if any, to do all things on behalf of the Participants which are reasonably necessary or convenient to:

- (a) wind-up Operations; and
- (b) complete any transaction and satisfy any obligation, unfinished or unsatisfied at the time of such termination or withdrawal if the transaction or obligation arises out of Operations prior to such termination or withdrawal. The Manager shall have the power and authority to grant or receive extensions of time or change the method of payment of an already existing Liability or obligation, prosecute and defend actions on behalf of the Participants and the Joint Venture, mortgage Assets, and take any other reasonable action in any matter with respect to which the former Participants continue to have, or appear or are alleged to have, a common interest or a common liability.

ARTICLE 13 ACQUISITIONS WITHIN AREA OF INTEREST

13.1 Area of Interest

An area of interest (the "**Area of Interest**") shall be established in the Province of Ontario, within five hundred (500) metres from the outside perimeter of the Property.

13.2 General

Acquisitions within the Area of Interest will be made by the Joint Venture pursuant to an approved Program and Budget. Any interest or right to acquire any interest in real property including water and surface rights or minerals within the Area of Interest otherwise acquired during the term of this Agreement by or on behalf of a Participant or any Affiliate shall be subject to the terms and provisions of this Agreement.

13.3 Notice to Non-acquiring Participant

Within ten days after the acquisition of any interest or the right to acquire any interest in real property including water and surface rights or minerals wholly or partially within the Area of Interest (except real property or minerals acquired by the Manager pursuant to a Program), the acquiring Participant shall notify the other Participant of such acquisition. The acquiring Participant's notice shall describe in detail the acquisition, the lands and minerals covered thereby, and the cost thereof. In addition to such notice, the acquiring Participant shall make any and all information concerning the acquired interest available for inspection by the other Participant.

13.4 Option Exercised

If within 30 days after receiving the acquiring Participant's notice, the other Participant notifies the acquiring Participant of its election to accept an interest in the acquired interest equal to its Participating Interest, the acquiring Participant shall convey the acquired interest to the Manager to be held in trust as provided in Section 2.4. The acquired interest shall become a part of the Property for all purposes of this Agreement. The other Participant shall promptly pay to the acquiring Participant its proportionate share of the latter's actual out-of-pocket acquisition costs.

13.5 Option Not Exercised

If the other Participant does not give such notice within the 30 day period set forth in Section 13.4, the non-acquiring Participant shall have no interest in the acquired interest, and the acquired interest shall not be a part of the Property or be subject to this Agreement.

ARTICLE 14 ABANDONMENT AND SURRENDER OF PROPERTY

14.1 Surrender or Abandonment of Property

The Management Committee may authorize the Manager to surrender or abandon part or all of the Property, in a manner consistent with any agreement under which such Property was acquired. If the Management Committee authorizes any such surrender or abandonment over the objection of a Participant or Participants the Participant that desires to abandon or surrender shall assign to the objecting Participant without cost to the surrendering Participant, all of the surrendering Participant's Interest in the Property to be abandoned or surrendered, and the abandoned or surrendered property shall cease to be part of the Property.

14.2 Reacquisition

If any part of the Property is abandoned or surrendered under the provisions of this Article 14, then, unless this Agreement is earlier terminated, no Participant (except a Participant that has objected to an abandonment or surrender) nor any Affiliate thereof shall acquire any interest in such Property for a period of three years following the date of such abandonment or surrender. If a Participant reacquires any Property in violation of this Section 14.2, the other Participant may elect by notice to the reacquiring Participant within 45 days after actual notice of such reacquisition, to have such properties made subject to the terms of this Agreement. In the event such an election is made, the acquired properties shall thereafter be treated as the Property, and the costs of reacquisition shall be borne solely by the reacquiring Participant and shall not be included for purposes of calculating the Participant's respective Participating Interest.

ARTICLE 15 TRANSFER OF INTEREST

15.1 General

Each Participant shall have the right to Transfer to any third party all or any part of its Participating Interest solely as provided in this Article 15.

15.2 Limitations on Free Transferability

The Transfer right of a Participant in Section 15.1 shall be subject to the following terms and conditions:

- (a) no transferee of all or any part of the Participating Interest of a Participant or the Net Profits Royalty shall have any rights hereunder unless and until the transferring Participant has provided to the other Participant notice of the Transfer, and except as provided in Sections 15.2(d) and 15.2(e), the transferee, as of the effective date of the Transfer, has committed in writing to be bound by this Agreement to the same extent as the transferring Participant;
- (b) no transfer permitted by this Article 15 shall relieve the transferring Participant of any liability, whether accruing before or after such Transfer, which arises out of Operations conducted prior to such Transfer;
- (c) in the event of a Transfer of less than all of a Participating Interest, the transferring Participant and its transferee shall act and be treated as one Participant;
- (d) if the Transfer is the grant of a security interest by mortgage, deed of trust, pledge, lien or other encumbrance of the Participating Interest or Net Profits Royalty of a Participant to secure a loan or other indebtedness, such security interest shall be subordinate to the terms of this Agreement and the rights and interests of the other Participant hereunder. Upon any foreclosure or other enforcement of rights in the security interest the acquiring third party shall be deemed to have assumed the position of the encumbering Participant with respect to this Agreement and the other Participants, and it shall comply with and be bound by the terms and conditions of this Agreement; and

- (e) if a sale or other commitment or disposition of Products or proceeds from the sale of Products by a Participant upon distribution to it pursuant to Article 11 creates in a third party a security interest in Products or proceeds therefrom prior to such distribution, such sales, commitment or disposition shall be subject to the terms and conditions of this Agreement.

15.3 Pre-emptive Right

Except as otherwise provided in Section 15.4, if a Participant desires to Transfer all or any part of its Participating Interest or the Net Profits Royalty, the other Participant shall have a pre-emptive right to acquire such interests as provided in this Section 15.3:

- (a) if a Participant intends to Transfer all or any of its Participating Interest or the Net Profits Royalty, it shall promptly notify the other Participant of its intentions. The notice shall state the price and all other pertinent terms and conditions of the intended Transfer, and shall be accompanied by a copy of the offer or contract for sale. Alternatively, the Participant desiring to sell may propose terms of a sale that may be offered to a prospective purchaser. If the consideration for the intended Transfer is, in whole or in part, other than monetary, the notice shall describe such consideration and its monetary equivalent based upon the fair market value of the non-monetary consideration stated in terms of cash or currency, together with information sufficient to establish the basis for such equivalence. The other Participant shall have 30 days from the date such notice is delivered to notify the transferring Participant whether it elects to acquire the offered interest for the same consideration, or its monetary equivalent in cash or currency, and on the same terms and conditions as set forth in the notice. If the other Participant so elects, the Transfer shall be consummated promptly after notice of such election is delivered to the transferring Participant;
- (b) if the other Participant does not so elect within the period provided for in Section 15.3(a), the transferring Participant shall have 90 days following the expiration of such period to consummate the Transfer to a third party for the consideration and on terms no less favourable than those offered by it to the other Participant in the notice required in Section 15.3(a); and
- (c) if the transferring Participant fails to consummate the Transfer to a third party within the period set forth in Section 15.3(b), the pre-emptive right of the other Participant in such offered interest shall be deemed to be revived. Any subsequent proposal to Transfer such interest shall be conducted in accordance with all of the procedures set forth in this Section 15.3.

15.4 Exceptions to Pre-emptive Right

Section 15.3 shall not apply to the following:

- (a) transfer by a Participant of all or any part of its Participating Interest to an Affiliate in which the Participant has a Control Interest;

- (b) a corporate consolidation or reorganization of a Participant by which the surviving entity shall possess the Participating Interest of that Participant and be subject to substantially all of the liabilities and obligations of that Participant which relate to the Participating Interest;
- (c) corporate merger or amalgamation involving a Participant by which the entity resulting therefrom shall possess all of the stock or all of the property rights and interests, and be subject to substantially all of the liabilities and obligations of that Participant;
- (d) the transfer of a Control Interest by an Affiliate to the Participant or to another Affiliate;
- (e) the grant by a Participant of a security interest in any interest in any Participating Interest, the voting or other shares, limited partnership interests or other indicia of ownership in the Participant, or the Assets by mortgage, deed of trust, pledge, lien or other encumbrance and any Transfer of such interest by reason of exercise of the rights granted to the secured party; or
- (f) a sale or other commitment or disposition of Products or proceeds from sale of Products by a Participant upon distribution to it pursuant to Article 11.

ARTICLE 16 CONFIDENTIALITY

16.1 General

The financial terms of this Agreement and all information obtained in connection with the performance of this Agreement shall be the exclusive property of the Participants and, except as provided in Section 16.2, shall not be disclosed to any third party or the public without the prior written consent of the other Participant(s), which consent shall not be unreasonably withheld. Whenever practical, any announcements, press releases, or public statements shall be issued jointly by the Participants. Each Participant agrees to promptly review any proposed request for disclosure or press release made by another Participant.

16.2 Exceptions

The consent required by Section 16.1 shall not apply to a disclosure:

- (a) to an Affiliate, consultant, contractor or subcontractor, banker, insurance broker, or surety that has a bona fide need to be informed;
- (b) to any third party to whom the disclosing Participant contemplates a Transfer of all or any part of its interest in or to this Agreement, its Participating Interest, or the Assets; or

- (c) to a governmental agency or to the public which the disclosing Participant believes in good faith is required by pertinent law or regulation or the rules of any stock exchange or securities regulatory authority.

In any case to which this Section 16.2 is applicable, the disclosing Participant shall give notice to the other Participants prior to making such disclosure. The text of any public announcements or statements including news releases which a Participant intends to make pursuant to this Section 16.2 shall be made available to the other Participant prior to publication and such other Participant shall have the right to make suggestions for changes therein. Unless required by law or regulatory authority, if a Participant is identified in such public announcement or statement it shall not be released without the consent of such Participant. As to any disclosure pursuant to Section 16.2(a) or 16.2(b), only such confidential information as such third party shall have a legitimate business need to know shall be disclosed and such third party shall first agree in writing to protect the confidential information from further disclosure to the same extent as the Participants are obligated under this Article 16.

16.3 Duration of Confidentiality

The provisions of this Article 16 shall apply during the term of this Agreement and for two years following termination of this Agreement pursuant to Section 12.1 or 12.2, and shall continue to apply to any Participant who Transfers its Participating Interest, for two years following the date of such occurrence.

ARTICLE 17 INDEMNITIES

17.1 Indemnification of Manager

The Participants in proportion to their Participating Interests shall indemnify and hold harmless the Manager and its directors, officers, employees, agents and representatives from and against all claims, debts, demands, suits, actions and causes of action whatsoever, and all losses, damages, fines, penalties, liabilities including without limitation environmental liabilities, costs and expenses (including legal expenses) whatsoever, which may be brought, made against, suffered or incurred by any of them arising out of or in connection with any act or omission in relation to the Assets or Operations after the date hereof of any of the Participants or of the Manager or any of its subcontractors or the employees or agents of any of the Participants, the Manager or any of its subcontractors, unless such act or omission in relation to the Assets or Operations constitutes gross negligence or wilful misconduct on the part of the Manager.

17.2 Indemnification of Participants

The Manager shall indemnify and hold harmless the Participants and their directors, officers, employees, agents and representatives from and against all claims, debts, demands, suits, actions and causes of action whatsoever, and all losses, damages, costs and expenses (including legal expenses) whatsoever, which may be brought, made against, suffered or incurred by any of them arising directly from any act or omission in relation to the Assets or Operations after the date hereof of the Manager which constitutes gross negligence or wilful default.

17.3 Limitation

Notwithstanding anything to the contrary in this Agreement, no party shall be liable to another in contract, tort or otherwise for special or consequential damages including, without limiting the generality of the foregoing, loss of profits.

ARTICLE 18 GENERAL PROVISIONS

18.1 Notices

All notices, payments, and other required communications (“**Notices**”) to the Participants shall be in writing, and shall be addressed respectively as follows:

Q-Gold:

Q-Gold Resources Ltd.
c/o Mineral Creek Resources Inc.
121 E. Birch Ave., Ste 508
Flagstaff, Arizona 86001
USA

email: eric@qgoldresources.com
fax: 928.779.0107

If to Cadman:

Cadman Resources Inc.
336, #1 Queen Street South
Mississauga, ON L5M 1M2

email: backup4derek@gmail.com
fax: 416.863.1515

All Notices shall be given: (a) by personal delivery to the addressee: or (b) by electronic communication, with a confirmation sent by registered or certified mail return receipt requested; or (c) by registered or certified mail or commercial carrier return receipt requested. All Notices shall be effective and shall be deemed delivered: (a) if by personal delivery on the date of delivery if delivered during normal business hours and if not delivered during normal business hours, on the next business day following delivery; (b) if by electronic communication on the next business day following receipt of the electronic communication, and (c) if solely by mail or commercial carrier on the next business day after actual receipt. A party may change its address by Notice to the other party.

18.2 Time

Time is of the essence of this Agreement.

18.3 Partition

Each of the parties waives, during the term of this Agreement, any right to partition of the Assets or any part thereof and no party shall seek or be entitled to partition of the Property or other Assets whether by way of physical partition, judicial sale or otherwise during the term of this Agreement.

18.4 Perpetuities

If any provision of this Agreement should violate any rule against perpetuities or any related rule against interests that last too long or are not alienable, then any such provision shall terminate 20 years after the death of the last survivor of all the lineal descendants of Her Majesty Queen Elizabeth of England living on the date of execution of this Agreement.

18.5 Force Majeure

Except for the obligation to make payments when due hereunder the obligations of a party shall be suspended to the extent and for the period that performance is prevented by any cause, whether foreseeable or unforeseeable, beyond its reasonable control, including without limitation, labour disputes (however arising and whether or not employee demands are reasonable or within the power of the party to grant); acts of God; laws, regulations, orders, proclamations, instructions or requests of any government or governmental entity; judgments or orders of any court; inability to obtain on reasonable acceptable terms any public or private license, permit or other authorization; curtailment or suspension of activities to remedy or avoid an actual or alleged, present or prospective violation of federal, provincial or local environmental standards; acts of war or conditions arising out afar attributable to war, whether declared or undeclared; riot, civil strife, insurrection or rebellion; fire, explosion, earthquake, mudslide, storm, flood, avalanche, sink holes, volcanic eruption, drought or other adverse weather conditions; delay or failure by suppliers or transporters of materials, parts, supplies, services or equipment or by contractors' or subcontractors' shortage of or inability to obtain, labour, transportation, materials, machinery, equipment, supplies utilities or services; accidents' breakdown of equipment, machinery or facilities; or any other cause whether similar or dissimilar to the foregoing. The affected party shall promptly give notice to the other parties of the suspension of performance, stating therein the nature of the suspension, the reasons therefor, and the expected duration thereof. The affected party shall resume performance as soon as reasonably possible.

18.6 Modification

No modification of this Agreement shall be valid unless made in writing and duly executed by the parties.

18.7 Waiver

The failure of a party to insist on the strict performance of any provision of this Agreement or to exercise any right, power or remedy upon a breach hereof shall not constitute a waiver of any provision of this Agreement or limit that party's right thereafter to enforce any provision or exercise any right.

18.8 Interpretation and Severability

In the event that any condition, covenant or other provision of this Agreement is held to be invalid or void by any court of competent jurisdiction, the same shall be deemed severable from the remainder of this Agreement and shall in no way affect any other condition, covenant or other provision of this Agreement. If such condition, covenant or other provision shall be deemed invalid due to its scope or breadth, such condition, covenant or other provision shall be deemed valid to the extent of the scope or breadth permitted by-law.

18.9 Governing Law

This Agreement shall be governed by and interpreted in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein, the parties irrevocably attorn to the courts of the Province of Ontario.

18.10 Further Assurances

Each of the parties agrees that it shall take from time to time such actions and execute such additional instruments as may be reasonably necessary or convenient to implement and carry out the intent and purpose of this Agreement.

18.11 Enurement

This Agreement shall be binding upon and enure to the benefit of the parties hereto and their respective successors and permitted assigns.

18.12 Execution in Counterparts

This Agreement may be executed in one or more counterparts, each of which so executed shall constitute an original and all of which together shall constitute one and the same agreement.

WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first above written.

Q-GOLD RESOURCES LTD.

By: _____
Name:
Position:

CADMAN RESOURCES INC.

By: _____
Name:
Position:

SCHEDULE A

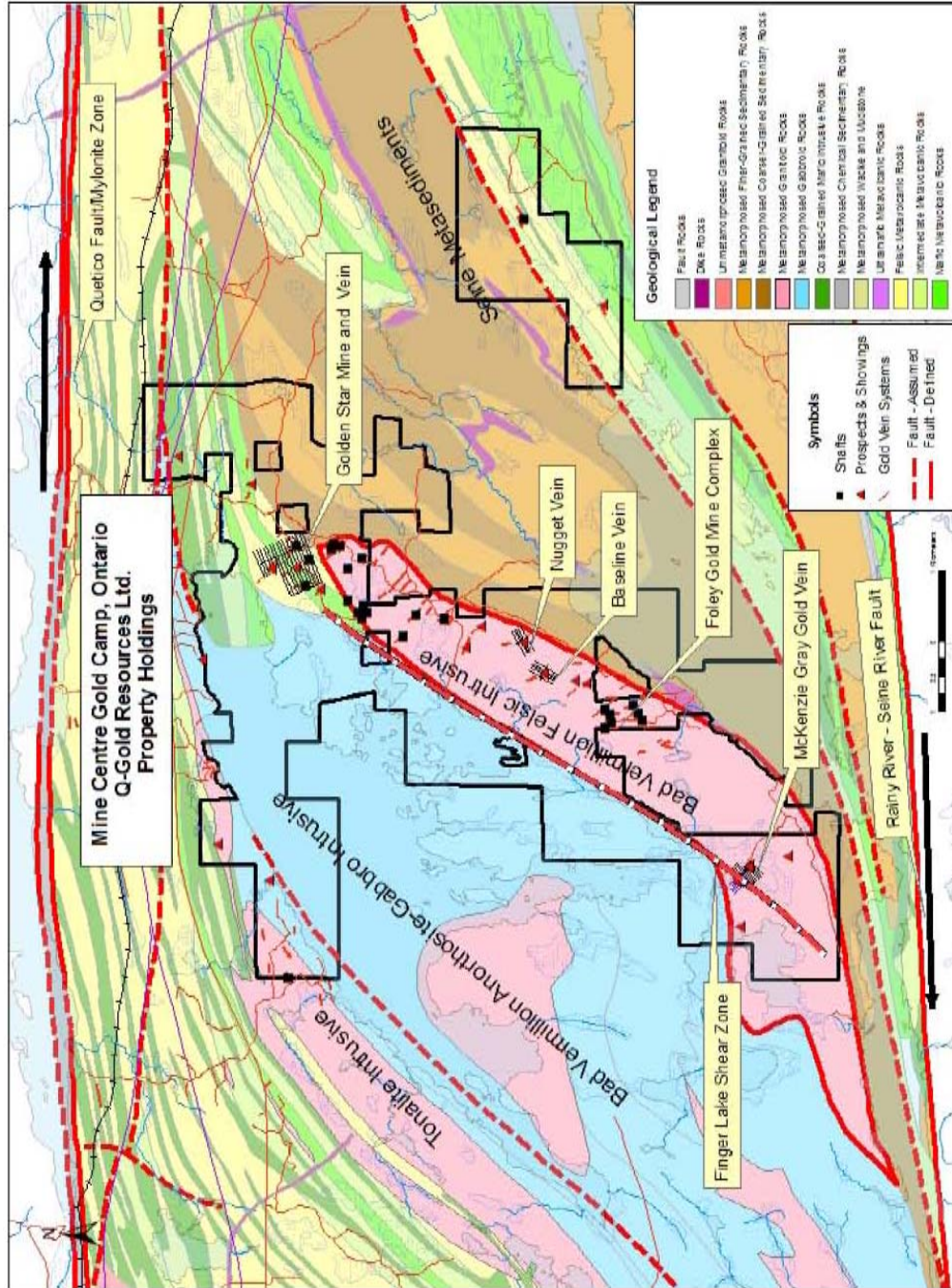
**Attached to and forming part of
a Joint Venture Agreement between
Q-Gold Resources Ltd.
and Cadman Resources Inc.**

THE PROPERTY

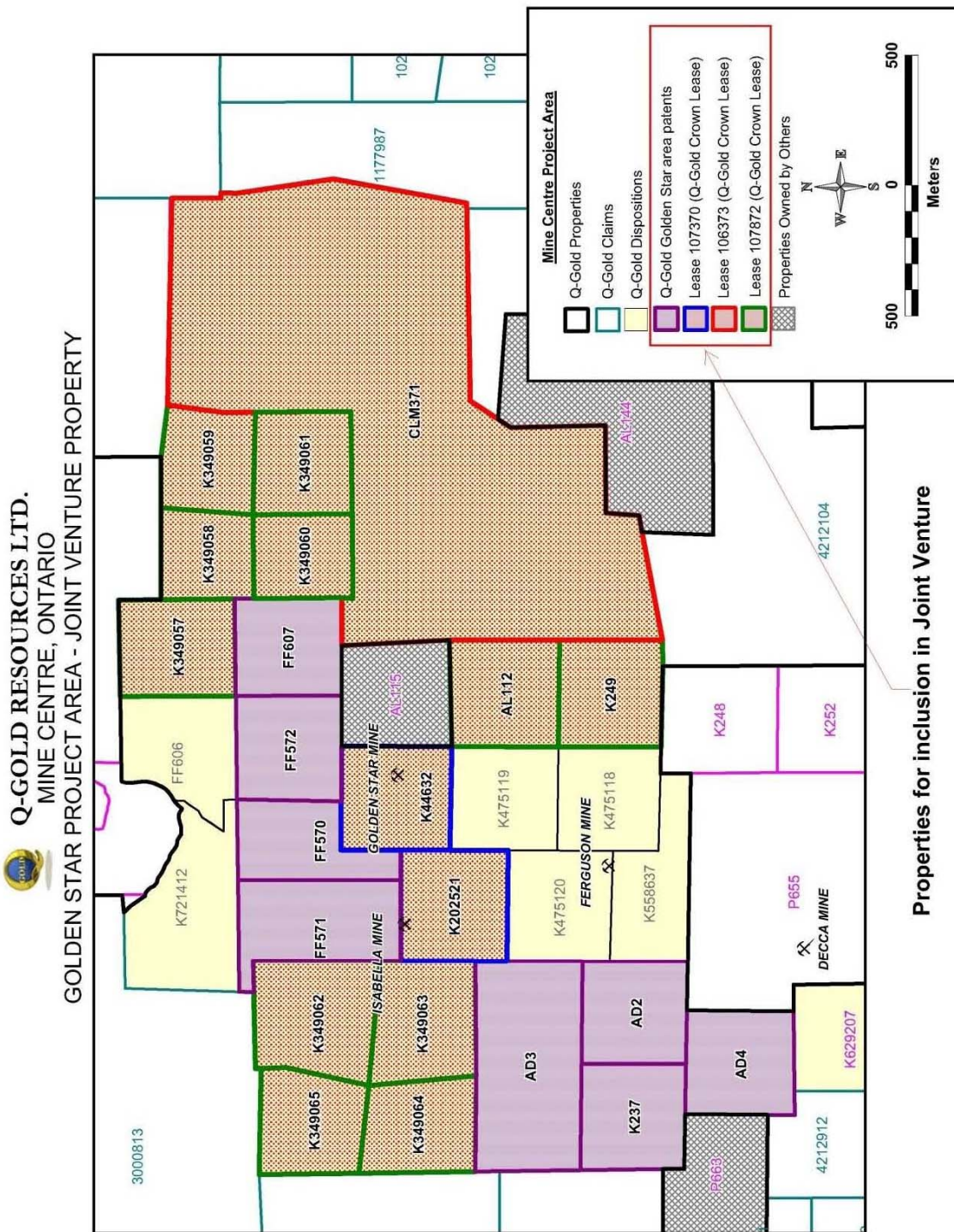
The Property is located in the Province of Ontario, Canada and shall be comprised of the mineral claims listed in the attached pages which shall form part of this Schedule A.

MINE CENTRE, ONTARIO

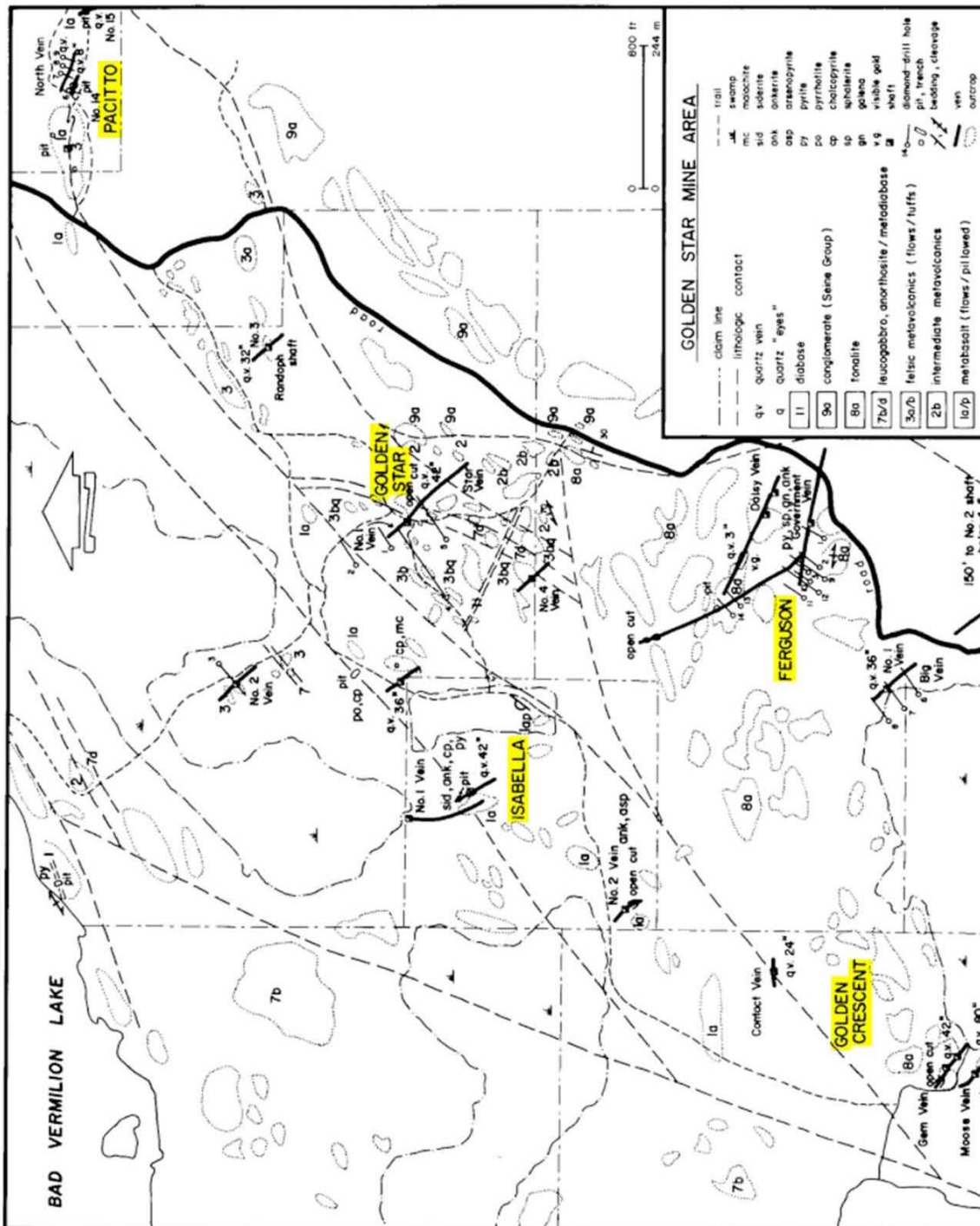
GENERAL GEOLOGY AND LOCATION MAP, GOLDEN STAR, BASELINE AND NUGGET VEIN GOLD PROSPECTS



PROPERTY MAPS – GOLDEN STAR PROPERTY

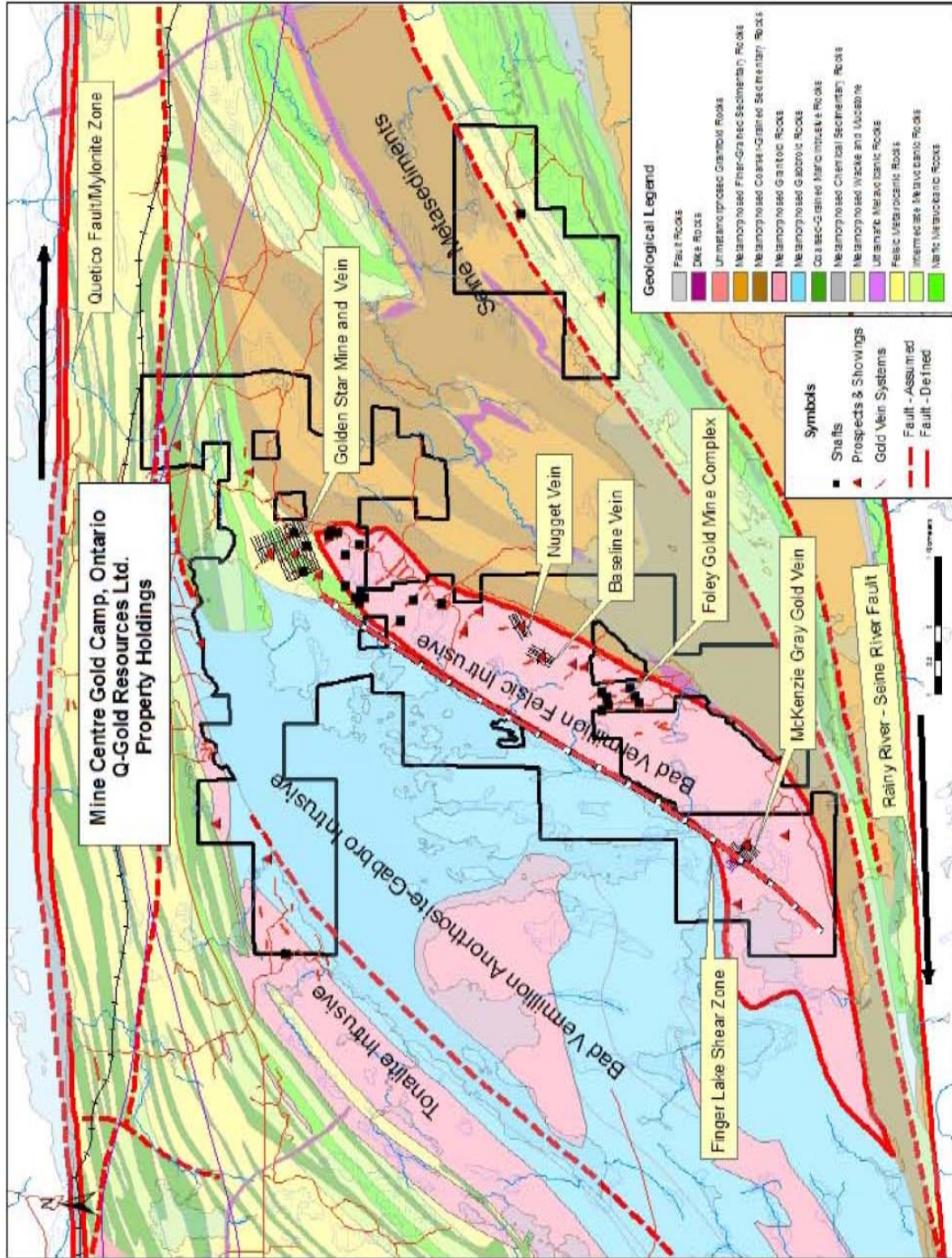


GOLDEN STAR JOINT VENTURE PROJECT INDIVIDUAL GOLD MINES AND "PACITTO" PROSPECT



MINE CENTRE, ONTARIO

GENERAL GEOLOGY AND LOCATION MAP, GOLDEN STAR, BASELINE AND NUGGET VEIN GOLD PROSPECTS



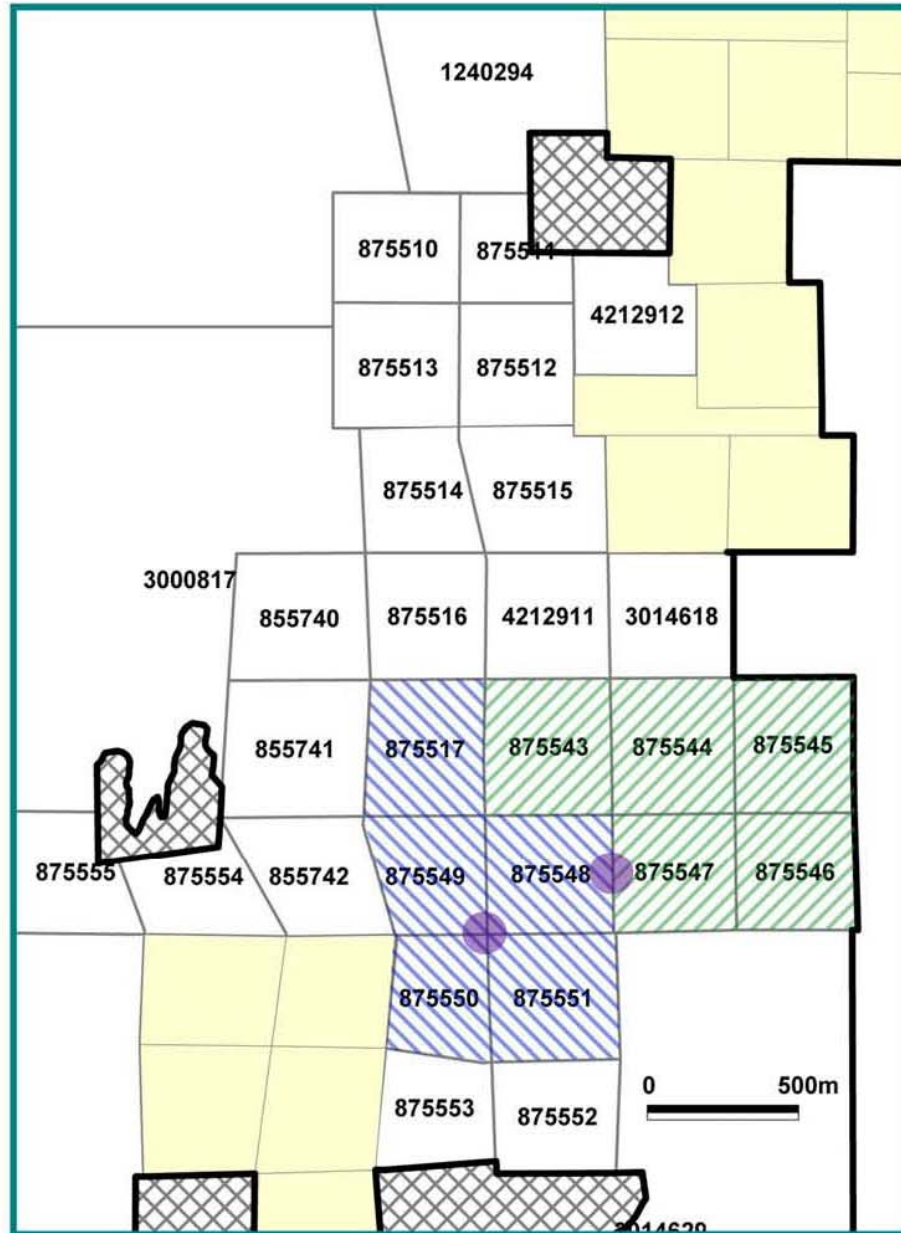
PROPERTY DESCRIPTIONS

Q-GOLD (ONTARIO) LTD. BASELINE AND JUGGET VEIN CLAIMS JOINT VENTURE PROPERTY





All properties located on the Ontario Ministry of Northern Development & Mines "Mining & Tenure Map" Plan G-2665.

Item #	Claim #s	Group Name	Expiry Date	Owner	Underlying NSR	Acreage
1	875517	Baseline Vein	2011-Jul-09	Q-Gold (Ontario) Ltd.	2%	40
2	875548	Baseline Vein	2011-Jul-09	Q-Gold (Ontario) Ltd.	2%	40
3	875549	Baseline Vein	2011-Jul-09	Q-Gold (Ontario) Ltd.	2%	40
4	875550	Baseline Vein	2011-Jul-09	Q-Gold (Ontario) Ltd.	2%	40
5	875551	Baseline Vein	2011-Jul-09	Q-Gold (Ontario) Ltd.	2%	40
6	875543	Nugget Vein	2011-Jul-09	Q-Gold (Ontario) Ltd.	2%	40
7	875544	Nugget Vein	2011-Jul-09	Q-Gold (Ontario) Ltd.	2%	40
8	875545	Nugget Vein	2011-Jul-09	Q-Gold (Ontario) Ltd.	2%	40
9	875546	Nugget Vein	2011-Jul-09	Q-Gold (Ontario) Ltd.	2%	40
10	875547	Nugget Vein	2011-Jul-09	Q-Gold (Ontario) Ltd.	2%	40
Total						400

MINE CENTRE, ONTARIO
JOINT VENTURE PROPERTIES
BASELINE AND NUGGET VEIN CLAIMS



LEGEND

- | | | | |
|---|----------------------|--|------------------------|
|  | Baseline Vein Claims |  | IP Anomaly |
|  | Nugget Vein Claims |  | Owned by Third Parties |

SCHEDULE B

**Attached to and forming part of
a Joint Venture Agreement between
Q-Gold Resources Ltd.
and Cadman Resources Inc. (the “Agreement”)**

ACCOUNTING PROCEDURE

The financial and accounting procedures to be followed by the Manager and the Participants under the Agreement to which this Schedule B is attached and are set forth below. References in this Accounting Procedure to Sections and Articles are to those located in this Accounting Procedure unless it is expressly stated that they are references to the Agreement.

It is the intent of the Manager and the Participants that the Manager shall not lose or profit by reason of its duties and responsibilities as Manager. The Accounting Procedures shall be reviewed by the Management Committee upon the request of the Manager or any Participant to assure that the Manager (directly or through its Affiliates) does not make a profit or suffer a loss from serving as Manager. The Management Committee shall, in good faith, endeavour to agree on modifications to these Accounting Procedures that will remedy any alleged unfairness or inequity. In the event the Management Committee is unable to agree on modifications acceptable to all of the Participants, then the Participants shall submit the matter to binding arbitration pursuant to the *Arbitration Act* (Ontario). The finding of the arbitrator shall be final and binding upon the Participants and the fees charged for such services shall be shared by the Participants equally.

ARTICLE 1 GENERAL PROVISIONS

1.2 General Accounting Records

The Manager shall maintain detailed and comprehensive cost accounting records, prepared in accordance with this Accounting Procedure and generally accepted accounting principles consistently applied, including general ledgers supporting and subsidiary journals invoices, cheques and other customary documentation, sufficient to provide a record of revenues and expenditures and periodic statements of financial position and the results of operations for managerial, tax, regulatory or other financial reporting purposes. Such records shall be retained for the duration of the period allowed the Participants for audit or the period necessary to comply with tax or other regulatory requirements. The records shall reflect all obligations, advances and credits of the Participants.

1.3 Bank Accounts

The Manager shall maintain one or more separate bank accounts for the payment of all expenses and the deposit of all cash receipts. Such accounts will be interest bearing, if practical.

1.4 Statements and Billings

The Manager shall prepare statements and bill the Participants as provided in Article 9 of the Agreement. Payment of any such billings by any Participant, including the Manager, shall not prejudice its right to protest or question the correctness thereof for a period not to exceed 24 months following the calendar year during which such billings were received by the Participant. All written exceptions to and claims upon the Manager for incorrect charges, billings or statements shall be made upon the Manager within such 24 month period. The time period permitted for adjustments hereunder shall not apply to adjustments resulting from periodic inventories as provided in Article 5.

ARTICLE 2 CHARGES TO JOINT ACCOUNT

The Manager shall charge the Joint Account (as such term is defined in the Agreement) with and the Participants will pay all costs and expenses incurred or paid by the Manager pursuant to the Agreement to carry out adopted Programs or otherwise, including without limitation:

2.1 Rentals Royalties and Other Payments

Royalties and Other Payments All property acquisition and holding costs, including filing fees, license fees, costs of permits and assessment work, production royalties, including any required advances, and all other payments made by the Manager which are necessary to acquire or maintain title to the Assets, including, if any, underlying royalties.

2.2 Labour and Employee Benefits

- (a) Salaries and wages of the Manager's or the Manager's Affiliates' employees directly engaged in Operations, including salaries or wages of employees who are temporarily assigned to the Manager.
- (b) The Manager's costs of holiday, vacation, sickness and disability benefits, and other customary allowances applicable to the salaries and wages chargeable under Sections 2.2(a) and 2.12. Such costs may be charged on a **“when and as paid basis”** or by **“percentage assessment”** on the amount of salaries and wages. If percentage assessment is used, the rate shall be applied to wages or salaries excluding overtime and bonuses. Such rate shall be based on the Manager's cost experience and it shall be periodically adjusted at least annually to ensure that the total of such charges does not exceed the actual cost thereof to the Manager.
- (c) The Manager's actual cost of established, establishing or participating in plans for employees' group life insurance, hospitalization, pension, retirement, bonus (except production or incentive bonus plans under a union contract based on

actual rates of production, cost savings and other production factors and similar non-union bonus plans customary in the industry or necessary to attract competent employees, which bonus payments shall be considered salaries and wages under Section 2.2(a) and 2.12; rather than employee' benefit plans) and other benefit plans of a like nature applicable to salaries and wages chargeable under Section 2.2(a) and 2.12.

- (d) Cost of assessments imposed by governmental authority which are applicable to salaries and wages chargeable under Section 2.2(a) and 2.12, including all penalties except those resulting from the wilful misconduct or gross negligence of the Manager.

2.3 Fixed Assets, Materials, Equipment and Supplies

- (a) All capital costs of developing and operating the Properties as a mine including all costs of land, construction, equipment and mine development including maintenance, repairs and replacements and any capital expenditures relating to an improvement, expansion modernization or replacement of the facilities.
- (b) The cost of materials, equipment and supplies (herein called "**Material**") purchased from unaffiliated third parties or furnished by the Manager or any Participant as provided in Article 3. The Manager shall maintain inventory levels of Material at reasonable levels to avoid unnecessary accumulation of surplus stock.

2.4 Equipment and Facilities Furnished by Manager

The cost of machinery, equipment and facilities owned by the Manager and used in Operations or used to provide support or utility services to Operations charged at rates commensurate with the actual costs of acquisition, ownership and operation of such machinery, equipment and facilities. Such rates shall include costs of maintenance, repairs, other operating expenses, insurance, taxes, depreciation and imputed interest at a rate equal to the Prime Rate on the cost of purchasing the machinery, equipment and facilities if they were purchased primarily for use on or in respect of the Properties or on the resale value thereof if they were not purchased for such use.

2.5 Transportation

Reasonable transportation costs incurred in connection with the transportation of employees and material necessary for the Operations.

2.6 Contract Services and Utilities

The cost of contract services and utilities procured from outside sources, other than services described in Section 2.9 and 2.13. If contract services are performed by the Manager or an Affiliate thereof, the cost charged to the Joint Account shall be fair and reasonable in any event shall not be greater than that for which comparable services and utilities are available in the open market within the vicinity of the Operations.

2.7 Insurance Premiums

Net premiums paid for insurance required to be carried for Operations for the protection of the Manager and the Participants.

2.8 Damages and Losses

All costs in excess of insurance proceeds necessary to repair or replace damage or losses to any Assets resulting from any cause other than the wilful misconduct or gross negligence of the Manager. The Manager shall furnish the Management Committee with written notice of damages or losses as soon as practicable after a report thereof has been received by the Manager.

2.9 Legal and Regulatory Expenses

All legal and regulatory costs and expenses incurred in or resulting from the Operations or necessary to protect or recover the Assets.

2.10 Audit

Cost of annual audits under Section 9.5 of the Agreement.

2.11 Taxes

All taxes (except income taxes) of every kind and nature assessed or levied upon or in connection with the Assets, the production of Products or Operations, which have been paid by the Manager for the benefit of the Participants. Each Participant is separately responsible for income taxes.

2.12 District and Camp Expense (Field Supervision and Camp Expenses)

A pro rata portion of:

- (i) the salaries and expenses of the Manager's superintendent and other employees serving Operations whose time is not allocated directly to such Operations, and
- (ii) the costs of maintaining and operating an office (herein called "**the Manager's Project Office**") and any necessary suboffice; and
- (iii) all necessary camps, including housing facilities for employees, used for Operations. The expense of those facilities, less any revenue therefrom, shall include depreciation or a fair monthly rental in lieu of depreciation of the investment. The total of such charges for all properties served by the Manager's employees and facilities shall be apportioned to the Joint Account on the basis of the Manager's best estimate of the proportionate amount such expenses are incurred for the benefit of the Joint Venture.

2.13 Administrative Charge

- (a) Each month, the Manager shall charge the Joint Account an amount equal to 5% of Allowable Costs which are paid to third party contractors and 10% of all other Allowable Costs, which shall be a liquidated amount to reimburse the Manager and its Affiliates for its and their borne office overhead and general and administrative expenses to conduct Mining Operations, and which shall be in lieu of any management fee:
- (b) The term “**Allowable Costs**” as used in this Section 2.13 for a particular phase of Operations shall mean all charges to the Joint Account excluding: (i) the administrative charge referred to herein; (ii) depreciation, depletion or amortization of tangible or intangible assets; and (iii) amounts charged in accordance with Section 2.1 or Section 2.11.
- (c) The following is a representative list of items of expense that are expressly covered by the administrative charge provided in this Section 2.13:
 - (i) Administrative supervision, which includes services rendered by managers, department supervisors, officers and directors of the Manager and its Affiliates for Operations, except to the extent that such services represent a direct charge to the Joint Account, as provided for in Section 2.2 and Section 2.12;
 - (ii) Accounting, data processing, personnel administration, billing and record keeping in accordance with governmental regulations and the provisions of the Agreement, and preparation of related reports;
 - (iii) Routine legal services rendered by outside sources and the legal staff of the Manager and its Affiliates not otherwise charged to the Joint Account under Section 2.9; and
 - (iv) Rentals and other charges for office and records storage space, telephone service, office equipment and supplies.
- (d) The Management Committee shall biannually review the administration charges and shall amend the methodology or rates used to determine such charges if they are found to be insufficient or excessive.

2.14 Other Expenditures

Any reasonable direct expenditure, other than expenditures which are covered by the foregoing provisions, incurred by the Manager for the necessary and proper conduct of Operations.

ARTICLE 3 BASIS OF CHARGES

3.1 Purchase Material

Purchase Material purchased and services procured from third parties shall be charged to the Joint Account by the Manager at invoiced cost, including applicable transfer taxes less all discounts taken. If any material is determined to be defective or is returned to a vendor for any other reason, the Manager shall credit the Joint Account when an adjustment is received from the vendor.

3.2 Material Furnished

Material Furnished by or Transferred to the Manager or Material furnished by the Manager from its stocks shall be priced on the following basis:

(a) New Material

New Material transferred from the Manager shall be priced F.O.B. the nearest reputable supply store or railway receiving point, where like Material is available, at the current replacement cost of the same kind of Material, exclusive of any available cash discounts, at the time of the transfer (herein called, "**New Price**").

(b) Used Material

- (i)** Used Material in sound and serviceable condition and suitable for reuse without reconditioning shall be priced at seventy-five percent (75%) of the New Price.
- (ii)** Other Used Material which, after reconditioning will be further serviceable for original function as good secondhand Material, or which is serviceable for original function but not substantially suitable for reconditioning shall be priced at fifty percent (50%) of New Price. The cost of any reconditioning shall be borne by the transferee.
- (iii)** All other Material, including junk, shall be priced at a value commensurate with its use or at prevailing prices. Material no longer suitable for its original purpose but usable for some other purpose shall be priced on a basis comparable with items normally used for such other purposes.

(c) Obsolete Material

Any Material which is serviceable and usable for its original function, but its condition is not equivalent to that which would justify a price as provided above shall be priced by the Manager at a level which will result in a charge to the Joint Account equal to the value of the service to be rendered by such Material.

3.3 Premium Prices

Whenever Material is not readily obtainable at published or listed prices because of national emergencies, strikes or other unusual circumstances over which the Manager has no control, the Manager may charge the Joint Account for the required Material on the basis of the Manager's direct cost and expenses incurred in procuring such Material and making it suitable for use.

3.4 Warranty of Material Furnished by the Manager

The Manager does not warrant the Material furnished beyond any dealer's or manufacturer's warranty and no credits shall be made to the Joint Account for defective Material until adjustments are received by the Manager from the dealer, manufacturer or their respective agents.

ARTICLE 4 DISPOSAL OF MATERIAL

4.1 Disposition

Generally the Manager shall have NO obligation to purchase a Participant's interest in Material. The Management Committee shall determine the disposition of major items of surplus Material, provided the Manager shall have the right to dispose of normal accumulations of junk and scrap Material either by sale or by transfer to the Participants as provided in Section 4.2.

4.2 Distribution to Participants

Any Material to be distributed to the Participants shall be made in proportion to their respective Participating Interests, and corresponding credits shall be made to the Joint Account on the basis provided in Section 3.2.

4.3 Sales

Sales of Material to third parties shall be credited to the Joint Account at the net amount received. Any damages or claims by the purchaser shall be charged back to the Joint Account if and when paid.

ARTICLE 5 INVENTORIES

5.1 Periodic Inventories

Notice and Representations At reasonable intervals inventories shall be taken by the Manager, which shall include all such Material as is ordinarily considered controllable by operators of mining properties and the expense of conducting such periodic inventories shall be charged to the Joint Account. The Manager shall give written notice to the Participants of its intent to take any inventory at least thirty (30) days before such inventory is scheduled to take place. A Participant shall be deemed to have accepted the results of any inventory taken by the Manager if it fails to be represented at such inventory.

5.2 Reconciliation and Adjustment of Inventories

Reconciliation of inventory with charges to the Joint Account shall be made, and a list of averages and shortages shall be furnished to the Management Committee within six (6) months after the inventory is taken. Inventory adjustments shall be made by the Manager for averages and shortages, but the Manager shall be held accountable to the Venture only for shortages due to lack of reasonable diligence.

ARTICLE 6 CREDITS

6.1 The Manager will credit the Joint Account with revenues received by the Manager as such including, for example:

- (a) collection of insurance proceeds related to the Joint Operations when the insurance premiums have been charged to the Joint Account;
- (b) sales of geologic or other information authorized by the Participants, and provided that the costs related to such data have been charged to the Joint Account;
- (c) sales of property, plant, equipment and materials of the Joint Operations in the normal course of the day-to-day business;
- (d) rentals received, refunds of custom duties or transportation claims, rebates, and other credits pertaining to Joint Operations;
- (e) credits received from third parties for the use of facilities or services of the Joint Operations;
- (f) refunds for defective equipment when the Operator receives the corresponding payments from the manufacturers or agents; and
- (g) any other credits for materials recovery or from other sources which correspond to the Joint Account.

SCHEDULE C

**Attached to and forming part of
a Joint Venture Agreement between
Q-Gold Resources Ltd.
and Cadman Resources Inc. (the “Agreement”)**

PRODUCTION ROYALTY (NSR)

ARTICLE 1 PREAMBLE

- 1.1 The purpose of this Schedule “C” is to define the production royalty (NSR) referred to in the Agreement and to provide a method of calculating the amounts and the timing of payments by the “Payor” to the “Payee” with respect thereto (both terms being defined hereinafter).

ARTICLE 2 DEFINITIONS

- 2.1 The terms defined in the Agreement, when used herein, shall have the same meaning as that described in Article 12 of the Agreement. In addition, the terms described in this Article 2 shall have the meaning attributed by this Schedule “C” to them.
- 2.2 “Net Smelter Returns” (NSR) means the actual proceeds received by the Payor from any mill, smelter, refinery or purchaser for the sale of ores, bullion, metals or concentrates produced from the Property and sold, after deducting from such proceeds, to the extent that they are not deducted by the purchaser in computing payments made to the Payor, cash costs for smelting, refining, insurance, penalties and the cost of transportation of such ores, bullion, metals or concentrates produced from the Property to any mint, smelter, refinery or other purchaser.
- 2.3 “Payor” means the Party required to pay the NSR under the Agreement.
- 2.4 “Payee” means the Party entitled to receive the NSR under the Agreement.

ARTICLE 3 CALCULATION OF NSR

- 3.1 Calculation. The NSR payable shall be calculated as that percentage of NSR stipulated in Article 12 of the Agreement.

- 3.2 Interim Statement. While the NSR remains payable hereunder, the Payor shall not later than sixty (60) days after the end of each quarter Year, render to the Payee an interim statement of account in reasonable detail which statement shall be accompanied by the payment of the NSR payable, pursuant to the Agreement, for the previous quarter Year. When all mineral products in any calendar Year in which an NSR remains payable, have been sold and the revenues and expenditures determined, the Payor shall, within ninety (90) days after the termination of such Year, render a final statement of account in reasonable detail together with the payment of the balance, if any, of the NSR for such previous Year. If amounts have been paid in excess of those to which the Payee is entitled under the terms of the Agreement in any Year, the equivalent amount shall be deducted from the next NSR payment or payments. Any payments not made to the Payee within the aforesaid times shall bear interest at the Prime Rate plus one percent (1%).

ARTICLE 4 AUDIT AND DISPUTES

- 4.1 Audit. The Payee may, at its own expense and upon written request to the Payor, audit the records that relate to the calculation of the NSR within twenty-four (24) months after receipt of the final quarter-yearly payment for the Year as described in paragraph 3.2 of this Schedule. The Payee shall be deemed to have waived any right they may have had to object to the payment made for any Year unless it notifies the Payor in writing of such objection within twenty-six (26) months after receipt of the final quarter-yearly payment for a Year.