

HANDENI NORTH HILLS 500 OPTION AGREEMENT

THIS AGREEMENT is dated for reference May 2nd, 2011.

BETWEEN:

AFGF (TANZANIA) LIMITED, of 6th Floor Amani Place,
Ohio St. PO Box 79958, Dar es Salaam, Tanzania

(herein referred to as "Optionor")

OF THE FIRST PART

AND:

KOKANEE MINERALS INC., of P.O. 809 – 27 Alexander
Street, Vancouver, B.C. Canada V6A 1B2

(herein referred to as the "Optionee")

OF THE SECOND PART

WHEREAS:

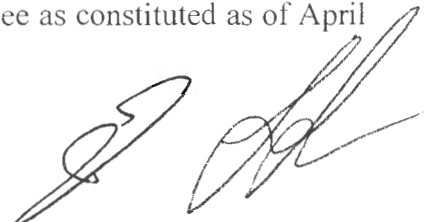
A. The Optionor is the owner of 100% legal and beneficial interest in certain primary mining and prospecting licenses located in the Handeni area of Tanzania represented by the Prospecting Licenses PL 6903/2011 and PL 6905/2011 as further described in Schedule "A" attached hereto (the "Property").

B. The Optionee wishes to acquire up to 80% interest in the Property and the Optionor has agreed to grant to the Optionee the right to, at the sole discretion of the Optionee, directly acquire a up to a 80% legal and beneficial interest in the Property on the terms and conditions as provided for herein.

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the sum of CDN\$10.00 paid by each of the parties hereto to the other, the receipt of which is hereby acknowledged, and the premises and mutual covenants hereinafter contained, the parties hereto agree as follows:

1. GRANT OF OPTION AND CONSIDERATION THEREFOR

1.1 **Grant.** The Optionor does hereby give and grant unto the Optionee the sole and exclusive option (the "Option") which may be exercised at the sole discretion of the Optionee to acquire an undivided **80%** legal and beneficial interest in and to the Property (the "Interest") free and clear of all encumbrances for the full price and consideration of payment to the Optionor of the sum of **\$3,000,000** (the "Payment"), the expenditure by the Optionee of a total of **\$6,500,000** in exploration work on the Property (the "Work") and the issuance to the Optionor of **1,500,000 common shares** without par value in the capital stock of the Optionee as constituted as of April



13, 2011 (the "Shares"), as set out in sections 1.2, 1.3, 1.4 and 1.5 respectively. Upon the completion of the Payments, the payment of the Shares and the completion of the Work, the Optionee may exercise the Option by delivering to the Optionor written notice of the Optionee's intention to exercise the Option.

1.2 **Payment.** The Payment shall be made to the Optionor as follows:

- (a) **\$500,000** within 5 business days of written approval of this Agreement by the TSX Venture Exchange ("Exchange Approval"); and
- (b) A further payment of **\$500,000** on or before 12 months after Exchange Approval;
- (c) A further payment of \$1,000,000 on or before 24 months after Exchange Approval; and
- (d) A further payment of \$1,000,000 on or before 36 months after Exchange Approval.

1.3 **Work.** The Work on the Property shall be carried out and paid for, to a minimum value, as follows:

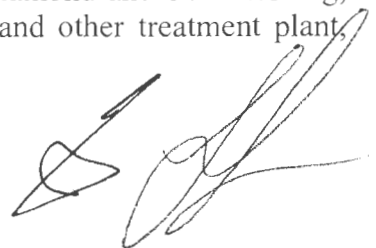
- (a) **\$650,000** on or before the first anniversary of Exchange Approval;
- (b) a further **\$975,000** on or before the second anniversary of Exchange Approval;
- (c) a further **\$975,000** on or before the third anniversary of Exchange Approval; and
- (d) a further **\$3,900,000** on or before the fifth anniversary of Exchange Approval;

1.4 Any excess in the amount of Work required to be incurred by the end of a particular period may be carried forward and credited towards future cumulative aggregate Work requirements.

1.5 **Shares.** The Shares shall be issued to the Optionor as follows:

- (a) **1,500,000 Shares** within 5 business days of Exchange Approval.

1.6 **Allowable Work.** All expenditures, obligations and liabilities of whatever kind or nature spent or incurred directly or indirectly by the Optionee in connection with the evaluation, exploration and development of the Property and any production therefrom, and be in the sole discretion of the Optionee and evidenced by a certificate of an officer of the Optionee or such other documents as the Optionee may in its determination provide, shall be credited towards Work, including without limitation, to the extent qualifying as aforesaid, all expenditures and costs incurred: (a) in doing geophysical, geochemical, land, airborne, environmental and geological examinations, assessments, assays, audits and surveys; (b) in linecutting, mapping, trenching and staking; (c) in searching for, digging, trucking, sampling, working, developing, mining and extracting ores, minerals and metals; (d) in conducting diamond and other drilling; (e) in obtaining, providing, installing and erecting mining, milling and other treatment plant,

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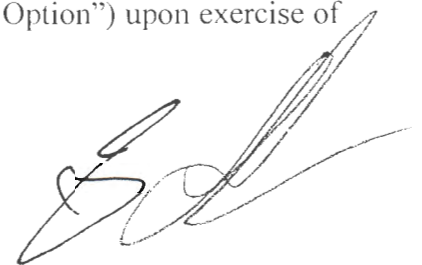
ancillary facilities, buildings, machinery, tools, appliances and equipment; (f) in constructing access roads and other facilities on or for the benefit of the Property or any part thereof; (g) in transporting personnel, supplies, mining, milling and other treatment plant, ancillary facilities, buildings, machinery, tools, appliances and equipment in, to or from the Property or any part thereof; (h) in paying reasonable wages and salaries (including "fringe benefits", but excluding home office costs) of personnel directly engaged in performing work on or with respect to the Property; (i) in paying assessments and contributions under applicable employment legislation relating to workers' compensation and unemployment insurance and other applicable legislation relating to such personnel; (j) in supplying food, lodging and other reasonable needs for such personnel; (k) in obtaining and maintaining any insurance; (l) in obtaining legal, accounting, consulting and other contract and professional services or facilities relating to work performed or to be performed hereunder; (m) in paying any taxes, fees, charges, payments and rentals (including payments made in lieu of assessment work) or otherwise incurred to transfer the Property or any part thereof or interest therein pursuant to this Agreement and to keep the Property or any part thereof in good standing; (n) in paying goods and services tax and social services tax and all other taxes charged on expenditures made or incurred by the Optionee relating directly or indirectly to the Property; (o) in acquiring access and surface rights to the Property; (p) in carrying out any negotiations and preparing, settling and executing any Agreements and other documents relating to environmental or indigenous peoples' claims, requirements or matters; (q) in obtaining all necessary or appropriate approvals, permits, consents and permissions relating to the carrying out of work, including environmental permits, approvals and consents; (r) in carrying out reclamation and remediation; (s) in improving, protecting and perfecting title to the Property or any part thereof; (t) in carrying out mineral, soil, water, air and other testing; (u) in preparing engineering, geological, financing, marketing and environmental studies and reports and test work related thereto; (v) in preparing one or more Feasibility Studies including any work and reports preliminary or supplementary thereto; (w) all mine development expenses incurred in furtherance of implementing the one of more feasibility studies; and (x) a charge for management supervision and administrative services of the Optionee equal to 15% of total Work.

1.7 **Cash in Lieu of Work.** If the Optionee fails or elects not to incur all or any of the Work by the end of a period as set out in section 1.3 herein, the Optionee may, not less than 15 days prior to the date by which the Work was to be completed, pay the Optionor an amount equal to the Work not being incurred. Any payment so made shall be deemed to have been Work duly and properly incurred in an amount equal to that of the payment made in lieu thereof.

1.8 **Shares Subject to Hold Period.** Upon issuance the Shares shall be subject to such hold periods or other restrictions on transfer as may be required by applicable securities legislation and the policies of the Exchange.

1.9 **Adjustment to Shares.** Should the Optionee at any time consolidate or subdivide its outstanding common shares into a lesser or greater number of shares, the number of Shares to thereafter be issued shall be proportionately reduced or increased, as the case may be.

1.10 **Grant of Second Option.** The Optionor further grants the Optionee an option to purchase up to an additional 20% interest in the Property (the "Second Option") upon exercise of the Option by the Optionee to earn an 80% interest in the Property.

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1.11 The Second Option may be fully exercised to attain further 20% legal and beneficial interest in the Property (for an aggregate 100% interest) by the Optionee by making further payments of \$6,250,000 for each 5% interest for a total of \$25,000,000. Upon the exercise of the Second Option, a 2% net smelter return royalty (the "Royalty") calculated in accordance with the terms and conditions set out in Schedule "B" shall be created in favour of the Optionor. The Optionee shall be entitled to an option to repurchase up to 1% of the Royalty thereby reducing the Royalty to a 1% net smelter return, which may be exercisable at any time, upon the Optionee giving the Optionor notice of exercise together with \$750,000 for each 0.5% net smelter return for an aggregate of \$1,500,000.

1.12 **Subcontracting.** The Optionee may subcontract any of its obligations under this Agreement to any third party at its sole discretion without prior consent of the Optionor..

2. TRANSFER OF TITLE

2.1 Upon completion of the exercise of the Option for the Interest, the Optionor shall deliver to the Optionee a duly executed transfer in registrable form in favour of the Optionee, of 80% of the legal and beneficial right, title and interest in and to the Property free and clear of all encumbrances, which the Optionee shall be entitled to register against title to the Property. Until the completion of such registration, the Optionor shall be deemed to hold title thereto in trust for the benefit of the parties in accordance with the provisions of this Agreement.

3. JOINT VENTURE

3.1 **Creation of Joint Venture.** Upon the vesting of the Interest in the Optionee, the Optionor and the Optionee shall be deemed to have entered into a joint venture (the "Joint Venture") for the further exploration and development of the Property and any operation of the Property as a mine. Until the commencement of commercial production, the Optionor's interest in the Joint Venture shall be fully carried and the Optionee shall be responsible for paying all Joint Venture costs including those of the Optionor. The Optionee shall not be entitled to recover or recoup the costs incurred by it during the existence of the Joint Venture. For the purposes of this Agreement, the "commencement of commercial production" means if a mill is located on the Property, the first day the mill processed ore from the Property and if no mill is located on the Property, the first day during which ore has been shipped from the Property on a reasonably regular basis for the purposes of earning revenues. Upon the formation of the Joint Venture, the parties agree to enter into a joint venture agreement substantially in the form of the RMMLF Form 5a (as amended from time to time) with necessary modifications to include all applicable provisions hereunder.

3.2 Upon commencement of commercial production, the Optionee shall be operator of the Property and each party to the Joint Venture (each a "Participant") shall be responsible for its pro rata share (based on its percentage interest in the Property at the commencement of the program pursuant to which such expenditures are incurred) of all Joint Venture expenditures incurred under programs in which it has elected to participate, provided that the Participants shall be allowed a commercially reasonable amount of time to raise any funding up to a maximum period of 2 months. Upon the commencement of production, the Participant's respective interests and deemed contributions shall be as follows:

	<u>Deemed Contributions</u>	<u>Interest</u>
Optionee	\$6,500,000	80%
Optionor	\$1,625,000	20%



3.3 If a Participant elects to contribute to a program and budget some lesser amount than in proportion to its respective interest, or not at all, and the other Participant elects to fund all or any portion of the deficiency, the decreased or non-participating Participant's interest in the Property shall be diluted, and the interest of the other Participant in the Property will be correspondingly increased, so that at any time the interest of a party in the Property will be equal to: $100\% * (A+B)/(C+D)$, where,

A = Actual Contributions of Participant since Commencement of Production

B = Deemed Contributions of such Participant

C = Sum of Total Actual Contributions of all Participants

D = Total Deemed Contributions of all Participants
(this will be the sum of the deemed contributions under "B")

with the percentage rounded to the nearest 2 decimal places. For greater certainty, the parties acknowledge that the amount used as Deemed Contributions of the Participants as it pertains to the Optionor is not a statement as to the actual amount of expenditures incurred by the Optionor in the particular project but merely reflects an amount which may be used for only the purposes of the formula hereunder.

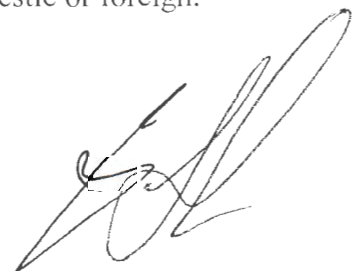
3.4 If the effect of the application of s.3.3 is to reduce the interest of any Participant to less than 10%, such Participant shall then be deemed to have assigned and conveyed its interest in the Property and the Joint Venture to the other Participant, and shall be entitled to receive as its sole remuneration and benefit in consideration of that assignment and conveyance, by way of royalty, 2% of net smelter returns, calculated in accordance with the terms and conditions set out in Schedule "B".

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4. **OPTIONOR'S REPRESENTATIONS, WARRANTIES AND COVENANTS**

4.1 **Representations and Warranties.** The Optionor represents and warrants to the Optionee as follows:

- (a) The Optionor has a contractual right to earn up to a 100% legal and beneficial interest in the Property pursuant to the Underlying Option Agreement.
- (b) The Property and the Optionor's interest therein are free and clear of any and all encumbrances (including, without limitation, any order or judgment relating to the Property or any legal proceedings in process, pending or threatened which might result in any such order or judgment), royalties or other payments in the nature of a rent or royalty, or other interests of whatsoever nature or kind, recorded or unrecorded.
- (c) The Underlying Option Agreement is and shall be in good standing now and at the time of the exercise of the Option.
- (d) That it has the right and authority to enter into this Agreement and to carry out the terms and conditions contained herein and upon the exercise of the Option for the Interest, to transfer the Interest to the Optionee free and clear of all encumbrances.
- (e) None of the execution or delivery hereof or the performance by the Optionor of its obligations hereunder will cause default under, or conflict with, any provisions of any agreements to which the Optionor is a party.
- (f) That the Property has been properly located and recorded and is in good standing in accordance with the laws of Tanzania until the dates set out in Schedule "A" hereto.
- (g) The Optionor have complied with all laws in effect in the jurisdiction in which the Property is located with respect to the Property, including without limitation all environmental laws.
- (h) That no person, firm or corporation has any option or right, or any right capable of becoming an option, to the Property.
- (i) The Optionor is be duly incorporated and validly existing and in good standing under the laws of Tanzania and have all necessary corporate power to own its assets.
- (j) The Optionor is not aware of any actions, suits or proceedings, judicial or administrative pending or threatened by or against it or affecting the title to or exclusive possession and use of its assets at law or in equity, or before or by any federal, provincial, state, municipal or other governmental court, department, commission, board, bureau, agency or instrumentality, domestic or foreign.

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- (k) The Optionor is not a party to any material contract except this Agreement and the Underlying Option Agreement.
- (l) The Optionor has filed with appropriate taxation authorities, federal, state, provincial and local, all returns, reports and declarations which are required to be filed by it and has paid all taxes which have become due and no taxing authority is asserting or has, to the knowledge of Optionor threatened to assert, or has any basis for asserting against the Optionor any claim for additional taxes or interest thereon or penalty.
- (m) The execution of this Agreement will not violate or result in the breach of the laws of any jurisdiction applicable or pertaining thereto.

4.2 **Covenants.** The Optionor covenants with the Optionee as follows:

- (a) That no person, firm or corporation, will be granted any option or right, or any right capable of becoming an option, to the Property during the currency of this Agreement.
- (b) That the Optionor will not do any act or thing which would or might in any way adversely affect the rights of the Optionee hereunder.
- (c) That at the cost and expense of the Optionee, the Optionor will provide such reasonable assistance to the Optionee as the Optionee may request in making application to effect or obtain any permit, lease, license or concession as may be reasonably required by the Optionee to explore or develop the Property and bring it into production.
- (d) That the Optionor make available to the Optionee and its representatives all records and files in the possession of the Optionor relating to the Property and permit the Optionee and its representatives at its own expense to take abstracts therefrom and make copies thereof.
- (e) That the Optionor will promptly provide the Optionee with any and all notices and correspondence received by the Optionor from government agencies in respect of the Property.

4.3 **Survival.** The representations and warranties of the Optionor hereinbefore set out are conditions on which the Optionee has relied in entering into this Agreement, are to be construed as both conditions and warranties and shall, regardless of any investigation which may have been made by or on behalf of the Optionee as to the accuracy of such representations and warranties, survive the closing of the transactions contemplated hereby and the acquisition of any interest in the Property hereunder and the Optionor shall indemnify and save the Optionee harmless from all loss, damage, costs, actions and suits arising out of or in connection with any breach of any representation or warranty contained in this Agreement.

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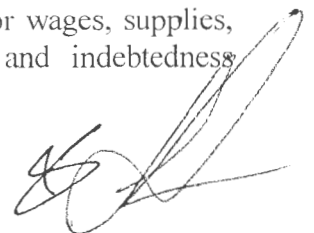
5. OPTIONEE'S REPRESENTATIONS, WARRANTIES AND COVENANTS

5.1 **Representations and Warranties.** The Optionee represents and warrants to the Optionor as follows:

- (a) That it is a company duly incorporated under the laws of the Province of British Columbia.
- (b) That it has the right and authority to enter into this Agreement and to carry out the terms and conditions contained herein.
- (c) That as of the date hereof it is a "reporting issuer" in the provinces of British Columbia and Alberta.
- (d) Upon the expiry of the hold periods or restrictions on transfer of the Shares set out in section 1.8 herein, the Shares will be freely tradeable through the facilities of the Exchange.
- (e) Its financial statements have been filed in compliance with the continuous disclosure requirements of applicable securities legislation, have been prepared in accordance with Canadian generally accepted accounting principles, accurately reflect the financial position and all material liabilities (accrued, absolute, contingent or otherwise) of the Optionee as at the date thereof and no adverse material changes in the financial position of the Optionee have taken place since the date thereof, save in the ordinary course of the Optionee's business.
- (f) Upon issuance, the Shares will be validly issued as fully paid and non-assessable shares in the capital of the Optionee.

5.2 **Covenants.** The Optionee covenants with the Optionor as follows:

- (a) That during the currency of this Agreement it will maintain the Property in good standing and record as assessment work against the Property all Work that is eligible to be recorded as assessment work, except that in respect of any cash payments to the Optionor in lieu of work, the Optionor agrees to forward that portion of such payment to the applicable regulatory authorities to keep the Property in good standing. Prior to any of the mineral claims forming the Property expire during the term of this Agreement, the Optionee hereby undertakes to have a mining lease executed with respect to such claims in favour of the Optionor, pursuant to the applicable mining laws and regulations.
- (b) That it will carry out operations on the Property in a careful and miner-like manner and in accordance with recognized engineering practices and in full conformity with all applicable mining laws and regulations of Tanzania.
- (c) That it will promptly pay all accounts of any nature and kind for wages, supplies, workers' compensation assessments and all other accounts and indebtedness



incurred by it on the Property so that no lien can arise thereon or upon the minerals contained therein.

- (d) That if the Option is terminated pursuant to section 10.1 or 10.2, it will furnish to the Optionor copies of all maps, plans, reports, assays and other technical data whatsoever pertaining to the work carried on by it upon the Property together with all samples taken from the Property as may then be in its possession or available to it and all minerals and other material referred to in section 6.4 which have not been sold.
- (e) That within 30 days of the end of each calendar quarter it will provide the Optionor with a written report detailing the nature of and amount spent on Work carried out and any mineral samples recovered for testing purposes from the Property during the calendar quarter, the evidence thereof pursuant to section 1.5 and the results thereof.

5.3 **Notify of Pending Lapse of Claims.** If during the currency of this Agreement the Optionee does not intend to renew any mineral claim (the "Lapsing Claim") included in the Property, the Optionee shall, at least 90 days prior to the lapse date of the Lapsing Claim, notify the Optionor of its intention to let the Lapsing Claim lapse. If the Optionee then allows the Lapsing Claim to lapse, the Optionee shall not acquire a Property Interest which includes any portion of the area covered by the Lapsing Claim for a period of five years from the lapse date of the Lapsing Claim. If the Optionee does not provide the Optionor with notice of its intention to allow a claim to lapse within the aforementioned 90 day period, it will be deemed to have agreed to renew such claim.

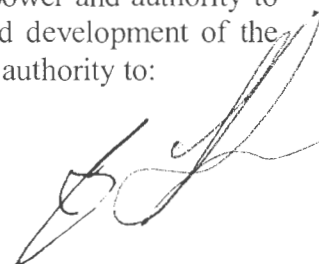
5.4 **Survival.** The representations and warranties of the Optionee hereinbefore set out are conditions on which the Optionor has relied in entering into this Agreement, are to be construed as both conditions and warranties and shall, regardless of any investigation which may have been made by or on behalf of the Optionor as to the accuracy of such representations and warranties, survive the closing of the transactions contemplated hereby and the acquisition of any interest in the Property hereunder and the Optionee shall indemnify and save the Optionor harmless from all loss, damage, costs, actions and suits arising out of or in connection with any breach of any representation or warranty contained in this Agreement.

6. OPERATOR

6.1 **Optionee to be Operator.** During the currency of this Agreement, the Optionee shall manage the Work and the day to day exploration activities on the Property.

6.2 **Right of Entry.** Forthwith upon receipt of Exchange approval pursuant to section 14.1 herein, the Optionee shall be entitled to quiet possession of the Property, and during the currency of this Agreement the Optionee shall be entitled to, without limitation, enter upon the Property to erect buildings and install machinery thereon and to explore and develop the Property in such manner as it sees fit.

6.3 **Optionee's Rights.** The Optionee shall have the full right, power and authority to do everything necessary or desirable in connection with the exploration and development of the Property and with the Work, including without limitation the right, power and authority to:

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- (a) regulate access to the Property, subject only to the right of the Optionor and its representatives as provided for in Article 8; and
- (b) employ and engage such employees, agents and independent contractors as it may consider necessary or advisable to carry out the Work and its duties and obligations hereunder.

6.4 **Entitlement to Material from Property.** During the currency of this Agreement, the Optionee shall be entitled to retain possession of all minerals, including without limitation gold, and other material found on or removed from the Property. Before the Optionee has earned its interest in the Property, it will be permitted to take samples from the Property for testing purposes. Any minerals found on the Property or through testing before the Optionee has earned its interest shall remain the property of the Optionee.

7. INDEMNITY

The Optionee agrees hereby to save the Optionor harmless from all claims, demands, damages and liabilities of whatsoever kind or character asserted by any person or persons on account of damage to property or injury to or death of any person occurring on or about the Property by the Optionee, unless such damage, injury or death was caused by the fault of the Optionor.

8. INSPECTION BY OPTIONOR

8.1 **Inspection of Property.** The Optionee shall permit the Optionor, or its representatives duly authorized in writing, to visit and inspect the Property at all reasonable times and intervals, and data obtained by the Optionee as a result of its operations thereon, provided always that the Optionor or its representatives shall abide by the rules and regulations laid down by the Optionee relating to matters of safety and efficiency in its operations and, notwithstanding Article 7 herein, the Optionee shall be under no liability to the Optionor or its representatives for any personal injury, including death, or any damage to property other than such as might be occasioned by or through any negligence or wilful default on the part of the Optionee, its servants or agents.

8.2 **Audit of Optionee's Records.** During the currency of this Agreement, the Optionor or its representatives duly authorized in writing shall, upon reasonable notice to the Optionee and at the Optionor's own expense, be entitled to audit the books, records and accounts of the Optionee which contain information relevant to the Property and the operations of the Optionee thereon.

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9. FORCE MAJEURE

9.1 If at any time after execution of this Agreement the Optionee should be delayed in or prevented from performing any of the terms, covenants or conditions of this Agreement by reason of fires, floods, earthquakes, subsidence, ground collapse or landslides, interruptions or delays in power or transportation of supplies, strikes, lockouts, wars, acts of God, Government regulation or interference, including, but without restricting the generality of the foregoing, forest closures, or any other cause beyond the control of the Optionee, except lack of monies, then and in every event, any such failure on the part of the Optionee to so perform shall not be deemed to be a breach of this Agreement and the time within which the Optionee is obliged to comply with any such term, covenant or condition under this Agreement shall be extended by the total period of all such delays, provided that in order that the provisions of this paragraph may be operative, the Optionee shall give notice in writing to the Optionor forthwith and as often as it is so delayed or prevented and shall set out in such notice particulars of the cause thereof and the day upon which the same arose, and shall give like notice forthwith following the date that such cause ceased to exist.

9.2 **Payments:** Notwithstanding the foregoing, the provisions of this Article 9 shall not apply to the Optionee's payment of the Payment as provided for in section 1.2 herein.

9.3 **Work Commitments:** In the event that a Force Majeure delay in the completion of the Work prescribed under section 1.3 herein exceeds a period of two years, the Optionee, in lieu of carrying out Work as provided for in section 1.3, shall pay to the Optionor any monies not previously expended as a scheduled work commitment. Such payments will be due and payable by the Optionee on those dates which are two years following the dates prescribed in section 1.3 herein and shall be deemed to have been Work duly and properly incurred in an amount equal to the payment made in lieu thereof.

10. TERMINATION

10.1 **Abandonment by Optionee.** The Optionee may at any time abandon the Option by written notice to the Optionor, and if the Optionee so abandons the Option this Agreement shall be null and void for all purposes and no further obligations shall arise thereunder except for the Optionee's covenant as provided for in section 5.2(d), 7 and 10.4.

10.2 **Termination for Default.** If the Optionee is in default of any of its obligations hereunder or has not made a Payment, carried out Work or issued Shares within the time provided for in Article 1 (collectively, a "Default") the Optionor may immediately or at any time give written notice to the Optionee of such Default, and the Optionee shall then have a period of 30 days to remedy such Default. If the Optionee does not remedy the Default within the 30 days aforesaid, this Agreement shall, at the Optionor's option and upon written notice to the Optionee, terminate forthwith.

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10.3 **Liability upon Termination.** Upon termination of this Agreement the Optionee shall cease to be liable to the Optionor save for the performance of those of its covenants, including section 5.2, 5.3, and 7 herein, which theretofore should have been performed or which survive termination of this Agreement.

10.4 **Vacating Property upon Termination.** Upon termination of this Agreement for any reason other than for exercise of the Option, the Optionee shall vacate the Property within a reasonable time after such termination. The Optionee shall remove any buildings, plant, machinery, equipment, tools, appliances, supplies and other chattels and fixtures from the Property which may have been brought upon the Property by the Optionee and shall reclaim and restore the Property in accordance with applicable environmental laws, and the Optionee shall have the right of access to the Property therefore for a period of 12 months from the date of termination.

11. CONFIDENTIALITY

11.1 **Confidential Information.** All information with respect to this Agreement or the Property or any matters arising therefrom (“Confidential Information”) shall be treated as confidential by the parties hereto and not be disclosed to any third party without the previous written consent of the non-disclosing party, such consent not to be unreasonably withheld.

11.2 **Disclosure to Purchaser.** Notwithstanding section 11.1, if a party contemplates selling or assigning its interest, it shall have the right to disclose to a prospective purchaser any part of the Confidential Information reasonably necessary to facilitate the sale or assignment of its interest if it first obtains an agreement in writing from the prospective purchaser, and furnishes a copy of such agreement to the other party, that the prospective purchaser shall not disclose to any person or entity any of the Confidential Information furnished to it.

11.3 **Disclosure to Advisors.** Notwithstanding section 11.1, the parties shall have the right to disclose Confidential Information, in strict confidence, to their attorneys or financial and mining consultants.

11.4 **Required Disclosure.** This Article 11 does not apply to any disclosure which may be required by law, the Exchange or any other securities regulatory authorities.

12. ASSIGNMENT OF INTEREST

12.1 The Optionee shall have the right to assign or sub-option all or any portion of its interest in the Option, Property or Joint Venture without the prior consent of the Optionor. The parties further agree that upon the exercise of the Option and the Optionee earning an 80% interest in the Property, the Optionor shall, upon the request by the Optionee, apply for a separate prospecting license or such other legally defined permit or instrument that is specific to an portion of the area of the Property and acceptable to the Optionee and the TSX Venture Exchange (the “Separate Permit”) and the Optionee shall be entitled to assign or sub-option its interest in such Separate Permit pursuant to this provision.

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13. GENERAL

13.1 **Subject to Exchange Approval.** This Agreement and the Optionee's performance of its covenants hereunder is subject to receipt of approval thereto from the Exchange.

13.2 **Option Only.** This Agreement is an option only and not a contract of purchase and sale, and neither the doing of anything nor the postponement of the doing of anything shall be construed as obligating the Optionee to do anything further under this Agreement.

13.3 **Time of the Essence.** Time shall be of the essence of this Agreement.

13.4 **Notices.** Any notice or other communication required or contemplated under this Agreement to be given by one party to the other shall be delivered, telecopied or mailed by prepaid registered post or by email to the party to receive same at the under noted address, namely:

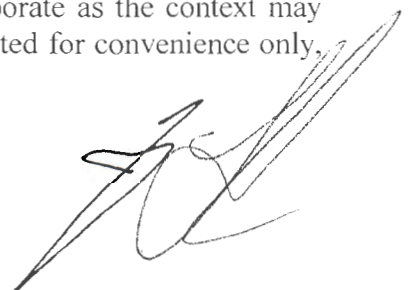
the Optionor: **AFGF (TANZANIA) LIMITED,**
Nikocheni "B", Ward Nikocheni
Block "A", House 604.
PO Box 13444, Dar es Salaam,
Tanzania
Fax No. 604-687-7179
Email Istephenson@wascomgt.com

the Optionee: **KOKANEE MINERALS INC.,**
P.O. 809 – 27 Alexander Street,
Vancouver, B.C. Canada V6A 1B2
Fax No. 604-207-9165
Email info@kokaneeminerals.com

Any notice delivered or telecopied shall be deemed to have been given and received on the business day next following the date of delivery. Any notice mailed as aforesaid shall be deemed to have been given and received on the fifth business day following the date it is posted, provided that if between the time of mailing and actual receipt of the notice there shall be a mail strike, slow-down or other labour dispute which might affect delivery of the notice by mail, then the notice shall be effective only if actually delivered.

13.5 **Further Assurances.** Each of the parties hereto agrees to execute such further and other deeds, documents and assurances and do such further and other acts as may be necessary to carry out the true intent and meaning of this Agreement fully and effectually.

13.6 **Interpretation.** Wherever the singular or masculine is used throughout this Agreement, the same shall be read as the plural, feminine or body corporate as the context may require. The captions and emphasis of the defined terms have been inserted for convenience only, and do not define the scope of any provision.

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13.7 **Choice of Law.** This Agreement shall be construed in accordance with the laws of the Province of British Columbia.

13.8 **Severability.** If any one or more of the provisions contained herein should be held to be invalid, unenforceable or illegal in any respect in any jurisdiction, the validity, legality and enforceability of such provision shall not in any way be affected or impaired thereby in any other jurisdiction and the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

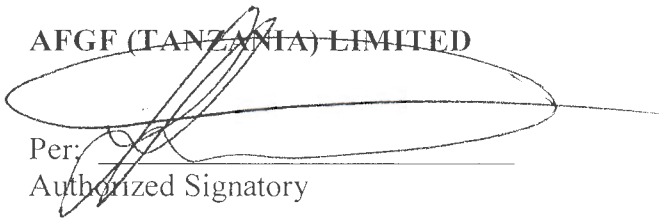
13.9 **Entire Agreement.** This Agreement shall constitute the entire agreement between the parties hereto with respect to the Property, and the terms hereof shall take precedence over the terms of any previous agreements, either oral or written, between the Optionee and the Optionor. The recitals and schedules hereof form part and are incorporated by reference into this Agreement.

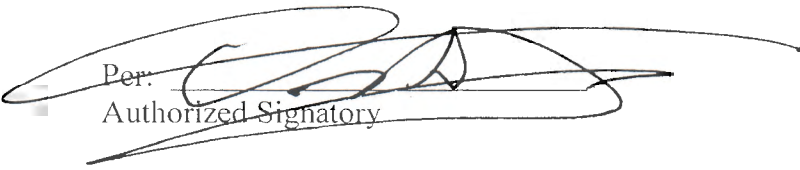
13.10 **Registration of Agreement.** The parties hereto acknowledge the right and privilege of the Optionor or the Optionee to file, register or otherwise deposit a copy of this Agreement in the appropriate recording office for the jurisdiction in which the Property is located, or with any other governmental agencies, to give third parties notice of this Agreement, and hereby agree, each with the other, to do or cause to be done all acts or things reasonably necessary to effect such filing, registration or deposit.

13.11 **Enurement.** This Agreement shall enure to the benefit of and be binding upon the parties hereto, their respective successors at law and assigns.

13.12 **Counterparts.** This Agreement may be executed in any number of counterparts with the same effect as if all parties to this Agreement had signed the same document and all counterparts will be construed together and will constitute one and the same instrument and any facsimile signature shall be taken as an original.

IN WITNESS WHEREOF the parties hereto have executed these presents the day and year first above written.

AFGF (TANZANIA) LIMITED

Per: _____
Authorized Signatory

KOKANEE MINERALS INC.

Per: _____
Authorized Signatory



**THE UNITED REPUBLIC OF TANZANIA
MINISTRY OF ENERGY AND MINERALS**

PROSPECTING LICENCE NO. PL 6903/2011

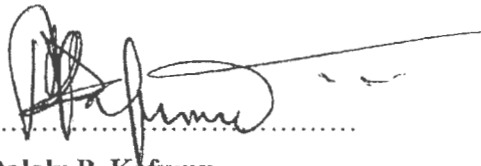
**GRANTED PURSUANT TO
SECTION 32 OF THE MINING ACT, 2010**

WHEREAS M/S **Abdalla Selemani** of P.O. Box 7283, Dar es salaam-Tanzania has fulfilled the conditions for grant of Prospecting Licence pursuant to Section 31 of the Mining Act, 2010;

I, Commissioner for Minerals, subject to the provisions of the Mining Act, 2010 and of the regulations thereunder now in force, or which may come into force during the continuance of this Licence, or any renewal thereof and pursuant to the powers conferred upon me under Section 32 of the Mining Act, 2010 hereby grant to M/S **Abdalla Selemani** (hereinafter called the Licensee) a **Prospecting Licence - Metallic Minerals** to prospect for **Gold** in Handeni and Kilindi Districts, over an area described in Annex A (hereinafter called the Licence Area), conferring on the Licensee the right to carry on such prospecting operations, abide to Annex B and Annex C and execute such other works as are necessary for that purpose.

This Licence, unless sooner cancelled, suspended or surrendered pursuant to the provisions of the Mining Act, 2010, shall be valid for a period of **forty eight (48)** months, effective from the date of grant.

Granted this ^{28th} day of FEBRUARY 2011



.....
Dr. Dalaly P. Kafumu
COMMISSIONER FOR MINERALS

THE UNITED REPUBLIC OF TANZANIA
MINISTRY OF ENERGY AND MINERALS

PROSPECTING LICENCE NO. PL 6905/2011

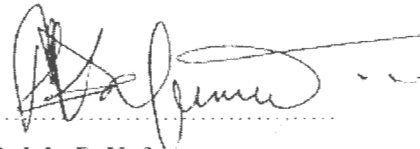
GRANTED PURSUANT TO
SECTION 32 OF THE MINING ACT, 2010

WHEREAS M/S Abdalla Selemani of P.O.Box 7283, Dar es salaam-Tanzania has fulfilled the conditions for grant of Prospecting Licence pursuant to Section 31 of the Mining Act, 2010;

I, Commissioner for Minerals, subject to the provisions of the Mining Act, 2010 and of the regulations thereunder now in force, or which may come into force during the continuance of this Licence, or any renewal thereof and pursuant to the powers conferred upon me under Section 32 of the Mining Act, 2010 hereby grant to M/S Abdalla Selemani (hereinafter called the Licensee) a **Prospecting Licence - Metallic Minerals**, to prospect for **Gold** in Handeni and Kilindi Districts, over an area described in Annex A (hereinafter called the Licence Area), conferring on the Licensee the right to carry on such prospecting operations, abide to Annex B and Annex C and execute such other works as are necessary for that purpose

This Licence, unless sooner cancelled, suspended or surrendered pursuant to the provisions of the Mining Act, 2010, shall be valid for a period of **forty eight (48)** months, effective from the date of grant.

Granted this 28th day of FEBRUARY 2011



Dr. Dalaly P. Kafumu
COMMISSIONER FOR MINERALS

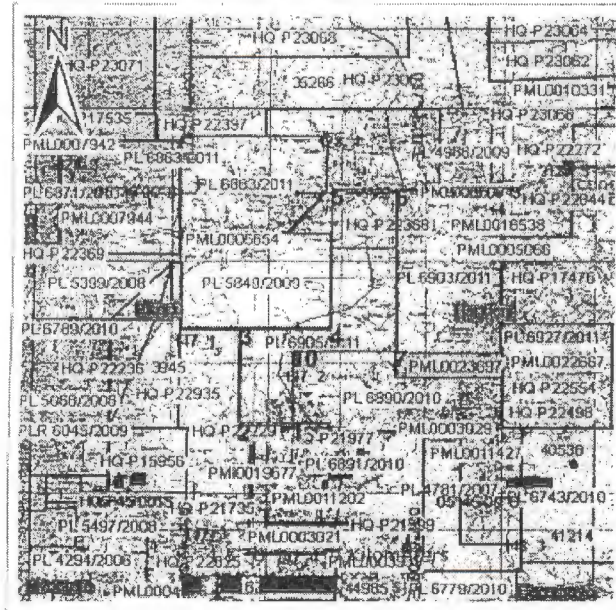


ANNEX A

DESCRIPTION OF THE LICENCE AREA

Subject to Section 95 of the Mining Act, 2010 the Licence is in Handeni and Kilindi Districts, QDSs 128/4 and 147/1, 2 defined by lines of latitude and longitude having the following corner coordinates (Arc 1960):

Corner	Latitude	Longitude
1	- 05 deg. 40 min. 39.00 sec.	37 deg. 46 min. 35.00 sec.
2	- 05 deg. 40 min. 39.00 sec.	37 deg. 43 min. 17.00 sec.
3	- 05 deg. 34 min. 26.50 sec.	37 deg. 43 min. 17.00 sec.
4	- 05 deg. 34 min. 26.50 sec.	37 deg. 49 min. 03.00 sec.
5	- 05 deg. 25 min. 30.00 sec.	37 deg. 49 min. 02.64 sec.
6	- 05 deg. 25 min. 30.00 sec.	37 deg. 53 min. 10.00 sec.
7	- 05 deg. 35 min. 49.20 sec.	37 deg. 53 min. 10.00 sec.
8	- 05 deg. 35 min. 49.20 sec.	37 deg. 46 min. 35.00 sec.
9	- 05 deg. 35 min. 51.00 sec.	37 deg. 46 min. 35.00 sec.
10	- 05 deg. 35 min. 51.00 sec.	37 deg. 46 min. 34.68 sec.



Legend	
Licensed boundary	
Licence Code	PL 6905/2011
District	Handeni, Kilindi
Direction	

An area of approximately 225.86 Square Kilometres.

3/5

SCHEDULE "B"

NET SMELTER RETURN

For the purposes of this Schedule "B" and of calculating the amount of royalty payable hereunder:

(a) "net smelter return" – means that amount of money actually received from the sale of the ores mined from the Property or from the sale of the concentrates or other products derived therefrom, less all costs or expenses incurred with respect to freight, trucking or handling of ores, concentrates or other products ex headframe in the case of ores and ex mill or other treatment facility in the case of concentrates or other products;

(b) "Operator" – means the party responsible for the carrying on of the operations relating to the Property, which shall be the Optionee under the Agreement to which this Schedule "B" is annexed thereto;

(c) "Owner" – means the person or persons that own an interest in the Property as at the relevant time including, without limitation, the Operator if the Operator has such an interest;

(e) "Recipient" – means the party or parties that are from time to time entitled to be paid the royalty hereunder;

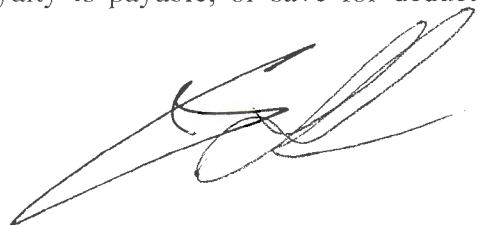
(f) "year" – means the calendar year and a reference to a subdivision of a year means a reference to the relevant subdivision of a calendar year;

(g) those terms defined in the Agreement of which this Schedule "B" is part shall have the same meanings as so defined (save as otherwise provided in this Schedule "B").

2. All calculations and computations relating to the royalty shall be carried out in accordance with generally accepted accounting principles and good mining practice.

3. Subject to the provisions hereof, the amount of royalty payable to the Recipient hereunder shall be calculated by the Operator as at the end of each quarter and shall be payable to the Recipient on or before the 15th day of the next following quarter; provided, however, that the Operator shall deduct from royalty otherwise payable the amount of any advance royalty paid pursuant to the annexed agreement until such time as the aggregate amount of the advance royalty so paid has been so deducted. It is understood and agreed between the parties that no royalty shall be payable in regard of any forward selling or hedging transaction carried out by the Operator.

4. With each payment of royalty, the Operator shall deliver to the Recipient a statement indicating the nature of the payment being made, if any, the manner in which it was determined and, as at the date of such calculation, the aggregate amount of advance royalty (if any) paid and not deducted hereunder. If no royalty is payable in any quarter, the Operator shall deliver a statement accordingly. Within 90 days after the end of each year in which royalty is payable, or save for deduction of

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advance royalty previously paid would be payable, the Operator shall deliver to the Recipient a certificate confirming the determination of the amount of royalty paid or otherwise payable during the said year.

5. The Operator shall keep separate accounts relating to its operations hereunder and, upon the prior written request of the Recipient, duly authorized representatives of the Recipient may have access to such accounts for the purpose of confirming any information contained in a statement delivered to the Recipient pursuant to the provisions of paragraph 4 hereof; provided, always, that such access shall not interfere with the affairs of the Operator. The Recipient shall have the right to make copies of or take extracts from such accounts (but only for his own use).

6. In case of difference between what was paid as royalty in the corresponding quarter as confirmed in the certificate mentioned in paragraph 4 above, the Recipient shall complain to the Operator in writing explaining the reason of the difference and the Operator shall have 15 days after receiving the complaint to answer and support his calculations, otherwise it shall pay the difference between what it paid and the amount determined by the Recipient. In case the difference continue, the parties shall, within the following 15 days after the end of the first period for the Operator to answer Recipient, appoint an arbitrator under the under the Rules of the British Columbia International Commercial Arbitration Centre to determine the final amount of royalties payable during the disputed quarter. The expenses and fees of the arbitrator shall be borne by the Recipient if the decision reached hereunder does not increase the paid royalties to the Recipient in more than 1%, and otherwise by the Operator. Unless the Recipient complains to the Operator within 30 days of the receipt of the royalty, the payment and amount of the royalty shall conclusively be deemed to be correct and the Recipient shall have waived its right to challenge such payment.

7. (a) For the purpose of calculating the amount of royalty payable to the Recipient hereunder only, if any one or product derived from one mined from the property is retained by the Operator or Owner or sold to a company associated with the Operator or Owner, and if the sale price of such product is not negotiated on an arm's length basis, the Operator shall, for the purposes of calculating net smelter return available to pay the royalty hereunder only and notwithstanding the actual amount of such sale price, add to any moneys actually received with respect to such sale an amount which the Operator considers sufficient, to make the same represent a reasonable sale price for such product as if negotiated at arm's length

(b) The Operator shall by notice inform the Recipient of the quantum of such reasonable sale price and, if the Recipient does not object thereto within 45 days after receipt of such notice, said quantum shall be final and binding for the purposes of this paragraph 6.

(c) If the Recipient objects to such quantum by notice delivered to the Operator within the said 45 days, then the quantum of such reasonable sale price shall be decided by arbitration as follows: the Recipient shall nominate one arbitrator and shall notify the Operator of such nomination and the operator shall, within 45 days after receiving such notice, nominate an arbitrator and the two arbitrators shall select an umpire to act jointly with them. If the said arbitrators shall be unable to agree in the selection of such umpire, the umpire shall be a person designated by the President or any Vice-President of the Canadian Institute of Mining and Metallurgy, provided that such person is not

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an employee of the Owner or any company affiliated with the Owner. The umpire shall fix the time and place for the purpose of hearing such evidence and representations as either or the parties hereto may present and, subject to the provisions hereof, the decision of the arbitrators and umpire, or any two of them, in writing shall be binding upon the parties hereto. The said arbitrators and umpire shall, after hearing any evidence and representations that the parties may submit, make their award, reduce the same to writing and deliver one copy thereof to each of the parties hereto. The majority of the umpire and arbitrators may determine any matters of procedure for the arbitration not specified herein. If the Operator fails within the said 45 days to nominate an arbitrator, then the arbitrator nominated by the Recipient may proceed alone to determine the dispute in such manner and at such time as he shall think fit and his decision shall, subject to the provisions hereof, be binding upon the parties hereto.

(d) The expense of the arbitration shall be paid by the Recipient if the decision reached hereunder does not increase such quantum by more than a 1% of the quantum set forth in the notice hereinbefore referred to and otherwise by the Operator. Insofar as they do not conflict with the provisions hereof, the Rules for the Conduct of Arbitrations of the Arbitrators Institute of Canada Inc., as amended or replaced from time to time, shall be applicable. Appeal from the decision of the arbitrators shall be in accordance with the provisions of the said Rules.

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