

July 22, 2010

Rae Wallace Peru S.A.C.
Av. Los Libertadores #739
San Isidro, Lima
Peru

Attention: Mr. George Cole

Rae Wallace Mining Company
610 S. Rock Boulevard, Suite 205
Sparks, Nevada
89431, USA

Attention: Mr. George Cole

Dear Sir:

Re: Option Agreement – Peru

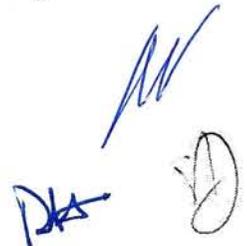
Further to our recent discussions, this option agreement (the “**Agreement**”) sets out the general terms for an option under which Fronteer Gold Inc. or a subsidiary thereof (“**Fronteer**”) can earn a 51% interest in the mineral and other rights held by Rae Wallace Peru S.A.C. (“**RWMC – Peru**”), a wholly-owned subsidiary of Rae Wallace Mining Company (“**RWMC**” and, together with RWMC – Peru, “**Rae Wallace**”), in any two of the Projects (as defined below) located in Peru. This Agreement is intended to confirm our discussions regarding the earning of such interest and the subsequent arrangements that may be entered into, which may involve the formation of an incorporated joint venture company that will hold, explore and, if warranted, develop the Optioned Project (as defined below) or Optioned Projects, as the case may be (the “**Transaction**”). This Agreement, including the Schedules, will serve as the basis for the negotiation and execution of a definitive formal agreement between us governing the projects and will be prepared by Fronteer as and when required.

This Agreement is a binding and enforceable agreement between the Parties and will remain in full force and effect until terminated in accordance with the terms hereof or superseded by the formal agreement.

1. Conditions Precedent, Subscription Agreement and Registration of Agreement

1.1 Conditions Precedent – This Agreement and the obligations of the Parties under it are subject to (the “**Conditions Precedent**”):

- (a) RWMC – Peru exercising in full the option granted to it (the “**Underlying Option**”) by Geologix (Peru) S.A. (“**GIX-Peru**”) pursuant to the Underlying Option Agreement;
- (b) RWMC – Peru being the sole registered and beneficial owner of the Projects, having good and marketable title to such rights; and
- (c) RWMC – Peru delivering to Fronteer evidence that the Contract of Transfer of Mining Concessions, attached to the Underlying Option Agreement as Exhibit “D”, has been validly registered in a Public Notary in Lima, Peru and submitted to the Peruvian Mining Public Registro Publico de Minería del Peru.



- (8) “**Conditions Precedent**” has the meaning as set out in Section 1.1;
- (9) “**Confidential Information**” has the meaning as set out in the Confidentiality Agreement and Section 13.1;
- (10) “**Deemed Expenditures**” means, for each Optioned Project, upon the applicable Exercise Date and thereafter:
- (i) in the case of Fronteer, 100% of the all Expenditures for the Optioned Project funded by Fronteer up to the applicable Exercise Date; and
 - (ii) in the case of Rae Wallace, 49/51 multiplied by the amount set out in the immediately preceding sub-section;
- (11) “**Effective Date**” has the meaning as set out in Section 1.4;
- (12) “**Election Date**” means the date a Notice of Election is delivered in accordance with Section 4.2(a), subject to Section 4.7;
- (13) “**Election Period**” means the period commencing on the Effective Date and ending on the date that is three years following the Effective Date;
- (14) “**Encumbrance**” means any mortgage, charge, pledge (*garantía mobiliaria*), hypothecation, security interest, assignment, mining lease (*cesión minera*), lien (statutory or otherwise), charge, title retention agreement or arrangement, royalty, restrictive covenant, seizure, governmental sanction or procedure, or other encumbrance of any nature or any agreement to give or create any of the foregoing;
- (15) “**Exercise Date**” has the meaning as set out in Section 4.3;
- (16) “**Expenditures**” means, for each Optioned Project, costs and expenses incurred hereunder by Rae Wallace or Fronteer, as the case may be, in connection with the Projects on prospecting, physical exploration, acquisition, geological consulting and like costs and expenses, including Maintenance Payments, Exploration AOI Acquisition Costs and Optioned Project AOI Acquisition Costs;
- (17) “**Exploration AOI**” means the area set out on Schedule “B”;
- (18) “**Exploration AOI Acquisitions Costs**” has the meaning as set out in Section 10.1(c);
- (19) “**Force Majeure**” has the meaning as set out in Section 15.2;
- (20) “**Fronteer**” has the meaning as set out in the first paragraph of this document;
- (21) “**GIX-Peru**” has the meaning as set out in Section 1.1(a);
- (22) “**Governmental Authority**” means any foreign, domestic, national, federal, provincial, territorial, state, regional, municipal or local government or authority, quasi government authority, fiscal or judicial body, government or self regulatory organization, commission, board, tribunal, organization, or any regulatory, administrative or other agency, or any political or other subdivision, department, or branch of any of the foregoing and includes the Peruvian Mining Public Registry (*Registro Público de la Propiedad Inmueble del Perú - Libro de Derechos*



- 1.2 Waiver – The Conditions Precedent set out above are for the benefit of Fronteer only and may be waived by it in its sole discretion. Fronteer may waive the Conditions Precedent on or before the Satisfaction Date.
- 1.3 Non-Satisfaction and Extensions – If the Conditions Precedent are not satisfied, waived or extended on or by the Satisfaction Date, this Agreement will terminate. Any notice for the waiver of or extension for the date for fulfilment of the Conditions Precedent must be in writing and executed by Fronteer as contemplated in Section 1.2 on or before the Satisfaction Date. Extension can be effected on one or more occasions by no more than 30 days per extension (each such extended date will be a Satisfaction Date).
- 1.4 Satisfaction – Upon the Conditions Precedent being fulfilled or waived by the Satisfaction Date, this Agreement will be deemed to continue as a binding agreement between the Parties, with the “Effective Date” being the later of the date that the Conditions Precedent have been fulfilled or waived, or the Signature Date.
- 1.5 Subscription Agreement – The Parties acknowledge that Fronteer has entered into a subscription agreement with RWMC, a copy of which is attached hereto as Schedule “C”, pursuant to which Fronteer has agreed to purchase 2,000,000 shares of common stock of RWMC at a price per share of \$0.25, upon the terms and subject to the conditions set out therein, which include the issuance by RWMC of ½ of a warrant for each share issued.
- 1.6 Registration of Agreement – Fronteer will be entitled, and Rae Wallace will do all things necessary to assist Fronteer, to register this Agreement (or a summary of this Agreement) against the Projects in a Public Notary in Lima, Peru and submitted to the Peruvian Mining Public Registry (*Registro Público de la Propiedad Inmueble del Perú- Libro de Derechos Mineros*).

2. Definitions and Schedules

2.1 Definitions – The following terms will have the following meanings in this Agreement:

- (1) “**Actual Expenditures**” means, for each Optioned Project, all Expenditures funded or incurred by any Party except for those included in the calculation of Deemed Expenditures;
- (2) “**Additional Project**” has the meaning as set out in Section 10.1(a)(ii);
- (3) “**Additional Rights**” has the meaning as set out in Section 10.1(a);
- (4) “**Affiliate**” means any Person that controls, is controlled by, or is under common control with, a Party. For the purposes of the preceding sentence only, “control” means the right to the exercise, directly or indirectly, of more than fifty percent (50%) of the voting rights attributable to the controlled Person;
- (5) “**Agreement**” has the meaning as set out in the first paragraph of this document;
- (6) “**Business Day**” means any day other than a Saturday, Sunday or day that is a holiday in either of Vancouver, Canada or Lima, Peru;
- (7) “**Cayhua Project**” means the mining concessions and other mineral rights granted by the Ministry and described in Schedule “A” as comprising the Cayhua Project;



Mineros), the Peruvian Geological, Mining and Metallurgic Institute (*Instituto Geológico Minero y Metalúrgico – INGEMMET*), *OSINERGMIN* (*Organismo Supervisor de la Inversión en Energía y Minería*) and the Peruvian Ministry of Mines and Energy (*Ministerio de Energía y Minas del Peru*);

- (23) “**Interest**” means an undivided beneficial interest in an Optioned Project and an undivided equity interest in Newco (or the Joint Venture, as the case may be), all expressed as a percentage;
- (24) “**Joint Venture**” has the meaning set out in Section 6.2;
- (25) “**Joint Venture Agreement**” has the meaning set out in Section 6.2(b);
- (26) “**Maintenance Payments**” has the meaning as set out in Section 8.4(a)(i)(A);
- (27) “**Minerals**” means all ores, and concentrates or metals derived from them, containing precious, base and industrial minerals and which are found in, on or under the Projects and, subject to the granting of other supplementary administrative and environmental licenses, permits and authorizations, may lawfully be explored for, mined and sold pursuant to the rights granted with respect to such Projects and other instruments of title under which any of the Projects are held;
- (28) “**Mining Concessions**” means the mining concessions and other mineral rights granted by the Ministry as further described in Schedule “A”;
- (29) “**Ministry**” means the Peruvian Ministry of Mines and Energy (*Ministerio de Energía y Minas del Peru*);
- (30) “**Newco**” has the meaning as set out in Section 6.1(a);
- (31) “**Newco Interest**” has the meaning as set out in Section 11.2;
- (32) “**Newmont Royalty**” means royalty in favour of Newmont Peru S.R.L. as set out in Exhibit “C” to the Underlying Option Agreement;
- (33) “**Non-Operator**” has the meaning as set out in Section 8.1(a);
- (34) “**Notice of Election**” has the meaning as set out in Section 4.2(a);
- (35) “**Operations**” means the activities of prospecting, exploration, research, development, construction, mining, milling, processing, treatment operations and related operations conducted by or on behalf of the Parties in respect of the Projects, including the preparation of any preliminary assessment, technical report, pre-feasibility or feasibility study and any other reports, studies or supplementary information;
- (36) “**Operator**” has the meaning as set out in Section 8.1(a);
- (37) “**Option**” has the meaning as set out in Section 4.1;
- (38) “**Option Expenditures**” has the meaning a set out in Section 4.2(b);



(39) **"Optioned Project"** means a Project identified, in a Notice of Election delivered in accordance with Section 4.2(a), by Frontier as one of the two Projects in which it wishes to acquire a 51% Interest, subject to Section 4.7, as may be augmented pursuant to Section 10.2(b);

(40) **"Optioned Project AOI"** has the meaning as set out in Section 10.2(a);

(41) **"Optioned Project AOI Acquisitions Costs"** has the meaning as set out in Section 10.2(d);

(42) **"Parties"** means all the parties to this Agreement, and a reference to a "Party" means one of them, except in Section 15.2, where a specific definition is provided;

(43) **"Permitted Encumbrances"** means:

- (i) the Newmont Royalty;
- (ii) all reservations, limitations, provisos and conditions expressed in the original grant of title of the lands and premises comprising the Projects from the Governmental Authority;
- (iii) any liens for taxes, levies and assessments not yet due or payable;
- (iv) all rights of expropriation of any federal, provincial or municipal authority or agency;
- (v) mechanic's, carrier's, workmen's, repairmen's or other similar liens (inchoate or otherwise) arising or incurred in the ordinary course of business in respect of obligations which are not overdue;
- (vi) minor title defects or irregularities consisting of minor surveyor exceptions and other unrecorded easements or rights-of-way or other restrictions as to the use of the Projects which title defects, irregularities or restrictions do not, neither individually or in the aggregate, materially impair the present use of the Projects; and
- (vii) any mining easement or mining right-of-way for service to the Projects;

(44) **"Person"** means an individual, corporation, trust, partnership, limited liability company, contractual mining company, joint venture, unincorporated organization, firm, estate, governmental authority or any agency or political subdivision thereof, or other entity;

(45) **"Previous Expenditures"** means the Expenditures funded by Rae Wallace on an Optioned Project from the Effective Date until the Election Date of such Optioned Project, and does not include any Exploration AOI Acquisition Costs or Optioned Project AOI Acquisition Costs, and which shall be the greater of (i) \$50,000 and (ii) the actual Expenditures funded by Rae Wallace on such Optioned Project;

(46) **"Projects"** means the Mining Concessions and, including without limitations, all associated mining titles, such as governmental and regulatory concessions, authorizations, licences, permits and/or registrations, as well as lease agreements, real property rights, easements or rights-of-way, water titles and/or rights, data, maps, information, technical reports, drill core,

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samples and assays together with exploration tools, equipment and supplies thereafter acquired by either Party in relation to the Mining Concessions, and all mining leases and other mining interests derived from any such concessions and rights, as may be augmented pursuant to Section 10.1(a)(i), and any Additional Projects acquired in accordance with Section 10.1(a)(ii);

- (47) "Project Area" has the meaning as set out in Section 10.1(a)(i);
- (48) "Proportionate Share" means for any Party or Shareholder (as applicable), that share of Expenditures that is equal to that Party's or Shareholder's Interest, expressed as a percentage;
- (49) "Rae Wallace" has the meaning as set out in the first paragraph of this document;
- (50) "Remaining Project" means any Project that is not an Optioned Project;
- (51) "RWMC" has the meaning as set out in the first paragraph of this document;
- (52) "RWMC – Peru" has the meaning as set out in the first paragraph of this document;
- (53) "Satisfaction Date" means September 30, 2010, as may be extended from time to time as provided in Section 1.3;
- (54) "Shareholder" means a Party with an equity interest in Newco;
- (55) "Shareholders' Agreement" means an agreement among the Shareholders governing the affairs of Newco;
- (56) "Transaction" has the meaning as set out in the first paragraph of this Agreement;
- (57) "Underlying Option" has the meaning as set out in Section 1.1(a);
- (58) "Underlying Option Agreement" means the option to purchase agreement, dated July 8, 2010, among Geologix Explorations Inc., GIX-Peru, RWMC and RWMC – Peru, a copy of which is attached hereto as Schedule "D"; and
- (59) "Wholly Owned Affiliate" means an Affiliate of a Party that is wholly owned by such Party.

2.2 Schedules – The following Schedules are attached to this Agreement and form an integral part of this Agreement for all purposes of it:

- Schedule "A" – Mining Concessions
- Schedule "B" – Exploration AOI
- Schedule "C" – Subscription Agreement
- Schedule "D" – Underlying Option Agreement

3. **Representations and Warranties**

3.1 Representations and Warranties of Rae Wallace – Rae Wallace represents and warrants to Fronteer that:

- (a) RWMC – Peru is a wholly-owned subsidiary of RWMC, and all of the shares of RWMC – Peru are held by RWMC free and clear of all Encumbrances;



- (b) the Mining Concessions are properly and accurately described in Schedule "A";
- (c) except as may set forth in the Underlying Option Agreement, the Mining Concessions have been duly and validly constituted, staked, located, filed and recorded pursuant to all applicable laws and regulations in Peru and are currently in good standing;
- (d) upon RWMC – Peru exercising in full the Underlying Option, and validly registering the Contract of Transfer of Mining Concessions, attached to the Underlying Option Agreement as Exhibit "D", in a Public Notary in Lima, Peru and submitting the same to the Peruvian Mining Public Registry (*Registro Público de la Propiedad Inmueble del Perú- Libro de Derechos Mineros*), RWMC – Peru will be the sole registered and beneficial owner of the Projects, and will have good and marketable title to such rights;
- (e) the Projects, and RWMC – Peru's interest therein, are free and clear of all Encumbrances, except Permitted Encumbrances;
- (f) there are no outstanding agreements or options to acquire or purchase the Projects or any interest therein, and no person has any royalty or other interest whatsoever in production or profits from the Projects, except the Underlying Option and the Newmont Royalty;
- (g) all work or expenditure obligations applicable to the Projects, all reports of the work or expenditures and other requirements to be satisfied or filed to keep the Projects in good standing have been satisfied or filed, and have satisfied the applicable Governmental Authority;
- (h) all rentals, duties, taxes, assessments, licence payments, validity fees, penalties for production shortfalls, mining concession royalties and other governmental charges applicable to, or imposed on, the Projects which were due to be paid on or before the date of this Agreement have been submitted and paid in full;
- (i) Rae Wallace and its personnel have conducted all activities on or in respect of the Project in material compliance, and the Project complies, with all applicable statutes, regulations, by-laws, laws, orders and judgments, and all directives, rules, consents, permits, orders, guidelines, approvals and policies of all applicable Governmental Authorities;
- (j) there are no actual or alleged adverse claims, challenges, suits, actions, prosecutions, investigations or proceedings against or to, the ownership of, or title to, the Projects nor, to the best of its knowledge, is there any basis for any of the foregoing;
- (k) no consent or approval of any third person, stock exchange or Governmental Authority is required for the execution, delivery or performance of this Agreement by Rae Wallace or the transfer or acquisition of the Projects or an interest therein;
- (l) Rae Wallace does not have notice, or knowledge of, any proposal to terminate or vary the terms of or rights attaching to the Projects from any Governmental Authority, or of any challenge to Rae Wallace's right, title or interest in the Projects;
- (m) the Projects do not lie within any protected area, area that is designated as indigenous lands by any Governmental Authority, rescued area, reserve, reservation, reserved area, environmental or historic protected area, special needs lands as designated by any Governmental Authority having jurisdiction that would impair the exploration for Minerals or the development of a mining project on the Projects;



(n) there are no orders or directions relating to environmental matters requiring any work, repairs, construction or capital expenditures with respect to the Projects or the conduct of the business related to the Projects, nor has any activity on the Projects been in material violation of any environmental law, regulations or regulatory prohibition or order, and conditions on and relating to the Projects are in material compliance with those laws, regulations, prohibitions and orders;

(o) there has been no material spill, discharge, leak, emission, ejection, escape, dumping, or any release or threatened release of any kind, of any toxic or hazardous substance or waste (as defined by any applicable law) from, on, in or under the Projects or into the environment, as a result of the activities of Rae Wallace or its predecessors in title or interest, except releases expressly permitted or otherwise authorized by applicable law;

(p) no toxic or hazardous substance has been disposed of or is located or stored on the Projects as a result of activities of Rae Wallace or, to the best of its knowledge, by its predecessors in title or interest;

(q) to the best of its knowledge no toxic or hazardous substance or waste has been treated on or stored on the Projects;

(r) no toxic or hazardous substance or waste is now stored on and no mining environmental liability currently exists over the Projects as a result of activities of Rae Wallace or, to the best of its knowledge, by its predecessors in title or interest;

(s) there are no ongoing claims or actions taken, nor to the best of Rae Wallace's knowledge pending, by or on behalf of any native or indigenous persons with respect to any lands included in the area of the Projects;

(t) the Projects have not been acquired, directly or indirectly, as a result of the payment of a bribe to an official or the concealment or conversion of the proceeds of a bribe to an official; and

(u) all information supplied to Fronteer or its advisors or its personnel in the course of the due diligence review in respect of the transactions contemplated by this Agreement, is accurate and correct in all material aspects.

3.2 Mutual Representations and Warranties – Each Party represents and warrants to the other Party that:

(a) it is a body corporate incorporated, organized and validly subsisting under the laws of its incorporating jurisdiction;

(b) it has full power and authority to carry on its business and to enter into this Agreement and any agreement or instrument referred to or contemplated by this Agreement and to carry out its obligations hereunder;

(c) neither the execution and delivery of this Agreement nor any of the agreements referred to herein or contemplated hereby, nor the consummation of the transactions hereby contemplated conflict with, result in the breach of or accelerate the performance required by any agreement to which it is a Party;



(d) the execution and delivery of this Agreement and the agreements contemplated hereby will not violate or result in the breach of the laws of any jurisdiction applicable or pertaining thereto or of its constitutional documents;

(e) this Agreement constitutes a legal, valid and binding obligation of it, enforceable in accordance with its terms by appropriate legal remedy; and

(f) it is not currently insolvent nor subject to any insolvency proceedings and, to the best of its knowledge, no application for insolvency has been filed with regard to any of the Parties.

4. Option Grant and Exercise

4.1 Grant of Option – In consideration of the payment of \$150,000 (inclusive of any applicable taxes) by Fronteer within three Business Days of the Effective Date, RWMC – Peru grants to Fronteer the sole and exclusive right and option (the “**Option**”) to acquire a 51% Interest in up to two Projects, subject to Section 4.7, free and clear of all Encumbrances, except the Permitted Encumbrances, in accordance with this Section 4.

4.2 Conditions of Exercise of Option – The right of Fronteer to exercise the Option, in whole or in part, and acquire a 51% Interest in up to two Projects, subject to Section 4.7, is conditional on Fronteer:

(a) prior to the expiration of the Election Period, delivering notice to Rae Wallace (a “**Notice of Election**”) of its intention to exercise the Option, in whole or in part, in which Fronteer identifies the Project or Projects, as the case may be, in which it wishes to acquire a 51% Interest; and

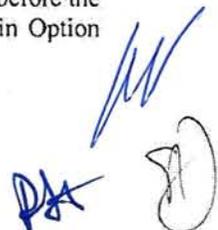
(b) subject to Sections 4.5, 4.6 and 15.1, funding Expenditures over a three year period commencing on the Election Date on each Optioned Project of three times the Previous Expenditures on such Optioned Project (the “**Option Expenditures**”).

4.3 Exercise of Option – Upon Fronteer exercising the Option, in whole or in part, in accordance with Section 4.2, Fronteer will be deemed to have earned a 51% Interest in the Optioned Project or Optioned Projects, as the case may be, and Fronteer will deliver a notice to Rae Wallace confirming the exercise of the Option, in whole or in part, with respect to the Optioned Project or Optioned Projects, as the case may be, and the date of each such notice will be an “**Exercise Date**”.

4.4 Partial Exercise – If, during the Election Period, Fronteer elects to acquire a 51% Interest in one Project, Fronteer will continue to have the Option, in accordance with this Section 4, to acquire a 51% Interest in one of the Remaining Projects, free and clear of all Encumbrances, except the Permitted Encumbrances.

4.5 Accelerated Expenditures – Once Fronteer has delivered a Notice of Election with respect to an Optioned Project or Optioned Projects, as the case may be, Fronteer may elect to accelerate the funding of the Option Expenditures for such Optioned Project or Optioned Projects, as the case may be, in order to exercise the Option, in whole or in part, at an earlier time than the three year period set out in Section 4.2(b).

4.6 Cash in Lieu of Option Expenditures – Fronteer may elect to pay to Rae Wallace, on or before the end of the period set out in Section 4.2(b), the dollar amount equal to any shortfall in Option



Expenditures required to be funded by Fronteer on an Optioned Project by the end of such period in lieu of completing the Option Expenditures on such Optioned Project, and such amount will be deemed to have satisfied such requirement for the completion of the Option Expenditures on such Optioned Project during the period set out in Section 4.2(b).

4.7 Cayhua Project – If Fronteer delivers a Notice of Election to Rae Wallace in accordance with Section 4.2(a) in which it identifies the Cayhua Project as an Optioned Project, Rae Wallace will have 10 days to deliver to Fronteer written notice that it accepts or does not accept the Cayhua Project as an Optioned Project, and:

(a) if Rae Wallace accepts the Cayhua Project as an Optioned Project, the Election Date for the Cayhua Project will be the date that Rae Wallace delivers notice of such acceptance to Fronteer;

(b) if Rae Wallace does not accept the Cayhua Project as an Optioned Project, Fronteer will not have satisfied the first condition to exercise the Option, found in Section 4.2(a), and Fronteer will continue to have the right to exercise the Option, in whole or in part, and acquire a 51% Interest in up to two Projects, including the Cayhua Project, subject to this Section 4.7; and

(c) if Rae Wallace does not deliver written notice within the 10-day period, Rae Wallace will be deemed to have accepted the Cayhua Project as an Optioned Project and the Election Date for the Cayhua Project will be the 11th day following delivery by Fronteer of the Notice of Election to Rae Wallace in accordance with Section 4.2(a) in which it identifies the Cayhua Project as an Optioned Project.

5. **Option Termination**

5.1 Fronteer's Election to Terminate Option – The funding of the Option Expenditures pursuant to Section 4.2(b) is within the sole and unfettered discretion of Fronteer, and Fronteer may elect at any time to terminate the Option by delivering notice to that effect to Rae Wallace (the "**Option Termination Notice**").

5.2 Option Termination – The Option will be of no further force or effect, and will automatically terminate if Fronteer:

(a) has not delivered a Notice of Election in accordance with Section 4.2(a) before the expiration of the Election Period;

(b) subject to Sections 4.5, 4.6 and 15.1, has not funded the Option Expenditures as set out in Section 4.2(b); or

(c) delivers the Option Termination Notice to Rae Wallace.

5.3 Option Termination Consequences – If the Option is terminated pursuant to Section 5.2, then Fronteer will acquire no Interest, and the provisions of Section 14 will apply.

6. **Structure of Transaction**

6.1 Formation of Newco or Joint Venture – Subject to Section 6.2,

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(a) before the first Exercise Date, Fronteer and Rae Wallace (or their respective designated Wholly Owned Affiliates) will form a newly formed special purpose share company in a jurisdiction to be mutually selected (“Newco”), or

(b) if Newco is not formed before the first Exercise Date, on the first Exercise Date, Fronteer and RWMC – Peru will be deemed to form a Joint Venture where Fronteer has an undivided 51% interest and RWMC – Peru has an undivided 49% interest,

to hold and develop the Optioned Projects. Subject to the exercise of the Option in accordance with Section 4.3, the Parties (or their designated Wholly Owned Affiliates) will be shareholders in Newco with Fronteer (or its designated Wholly Owned Affiliate) having an undivided 51% equity interest therein and Rae Wallace (or its designated Wholly Owned Affiliate) having an undivided 49% equity interest therein. On the first Exercise Date, subject to Section 6.2, the Parties will enter into a Shareholders’ Agreement governing Newco and the Parties’ (or their applicable Wholly Owned Affiliates’) rights and obligations with respect to the Optioned Projects as further described in Section 12.1.

6.2 Structure of Transaction – The Parties at any time, may mutually agree to determine the appropriate structure for the Transaction, which may or may not be the formation of Newco, with a view to maximizing organizational and operational efficiencies and to minimizing tax and other related legal concerns, along with determining the best vehicle to hold and operate the Optioned Project, and which may be an unincorporated contractual joint venture (a “**Joint Venture**”). If a Joint Venture is formed as set out in this Section 6.2 or deemed to be formed pursuant to Section 6.1;

(a) all references to “Newco” in this Agreement will be interpreted, *mutatis mutandis*, to be a reference to “**Joint Venture**”; and

(b) the Parties will adjust the applicable provisions of the Shareholders’ Agreement, *mutatis mutandis*, and will negotiate and enter into, in good faith, a contractual joint venture agreement (a “**Joint Venture Agreement**”) that is based upon industry standards for a mining operation of the nature contemplated herein.

7. Projects

7.1 Title and Transfer of Projects

(a) From the Effective Date to the first Exercise Date, title to all Projects will be in the name of RWMC – Peru.

(b) After the first Exercise Date:

(i) upon the formation of Newco (as set out in Section 6.1), Rae Wallace will forthwith do all things necessary to transfer the Optioned Project or Optioned Projects, as the case may be, to Newco free and clear of all Encumbrances, except the Permitted Encumbrances; or

(ii) if Newco is not formed (as set out in Section 6.1) and the Transaction is governed pursuant to a Joint Venture (as set out in Section 6.2), Rae Wallace will forthwith do all things necessary to facilitate the contribution of the Optioned Project or Optioned Projects, as the case may be, to the Joint Venture.



obtained and providing a breakdown of Expenditures incurred in carrying out the Operations for that year;

(i) to promptly notify the Non-Operator of any material exploration results or adverse events on the Projects; and

(j) to leave the Projects upon termination of this Agreement in a condition that is in substantial compliance with the requirements of all applicable laws of Peru including, without limitation, regulations pertaining to environmental matters.

8.3 Non-Performance of Operator – If the Operator fails to perform work on the Projects in a manner that is consistent with good exploration, engineering and mining practices or fails to perform in a manner consistent with its duties and responsibilities under this Agreement, or is adjudged to be bankrupt or insolvent or a receiver or trustee is appointed for its business and assets, then the Non-Operator will have the option to give to the Operator written notice setting forth particulars of the Operator's default. If such notice is provided, the Operator will, within 45 days of receipt of such notice, commence to remedy the default. Failure of the Operator to commence to remedy the default within such 45 day period (and thereafter to proceed continuously and diligently to complete all required remedial action) will be grounds for termination of the Operator's appointment. Upon such failure to commence to remedy such default within such period, the Non-Operator will have the election to provide a written notice of termination to the Operator designating a date of termination, and upon such written notice of termination being delivered to the Operator, it will be deemed to have resigned as Operator and the Non-Operator that gave notice will become the successor operator on such designated date. The Parties agree that the appointment of the Non-Operator that gave notice as the successor operator will be deemed to pre-date the date on which the Operator is adjudged to be bankrupt or insolvent or a receiver or trustee is appointed as described above (in the event this is the default event).

8.4 Maintenance of Projects

(a) Subject to Section 8.4(b), from the Effective Date until the last Exercise Date, the formation of Newco (subject to Sections 6.1 and 6.2) and the transfer of the Optioned Project or Optioned Projects, as the case may be, to Newco:

(i) Rae Wallace covenants to:

(A) keep the Projects in good standing at all times, including by making all required tax, validity fees, penalties for production shortfalls, expenditures and other maintenance payments (the "**Maintenance Payments**"); and

(B) provide Fronteer with written evidence of such Maintenance Payments, subsequent to payment thereof,

and if Rae Wallace should breach these covenants and any breach continues for a period of 14 days after notice is given by Fronteer to Rae Wallace of such breach, then Fronteer will have the election to be entitled to cure such default, and all costs of doing so will be set off against any Expenditure requirements of Fronteer under this Agreement;

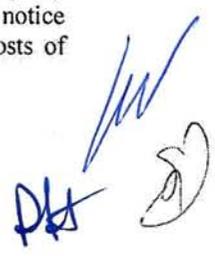


- (ii) Fronteer will reimburse Rae Wallace for all Maintenance Payments made on the Optioned Project or Optioned Projects, as the case may be, by Rae Wallace after the applicable Election Date and such Maintenance Payments will be included as Expenditures under this Agreement; and
 - (iii) Rae Wallace will keep the Projects free of all Encumbrances, except the Permitted Encumbrances, excluding any statutory liens imposed by law and any liens for work for which payment is not yet due, or which are being challenged by the Operator in good faith; and
- (b) After the first Exercise Date, the formation of Newco (subject to Sections 6.1 and 6.2) and the transfer of the Optioned Project or the Optioned Projects, as the case may be, to Newco:
- (i) Newco will be responsible for such Maintenance Payments on the Optioned Project or Optioned Projects, as the case may be, and until the last Exercise Date, Fronteer will reimburse Rae Wallace for its Proportionate Share of such Maintenance Payments on the Optioned Project or Optioned Projects, as the case may be; and
 - (ii) Rae Wallace will continue to be responsible for the Maintenance Payments on the Remaining Projects.

9. Funding and Dilution

9.1 Funding

- (a) From the Effective Date until the first Election Date, Rae Wallace will fund 100% of all Operations, including all Maintenance Payments and Exploration AOI Acquisition Costs.
- (b) After the first Election Date:
- (i) Fronteer will fund 100% of all Operations on each Project that it elects to be an Optioned Project, in accordance with Section 4.2(a), including:
 - (A) all Maintenance Payments on such Optioned Project or Optioned Projects, as the case may be, which will be funded in accordance with Section 8.4(a)(ii); and
 - (B) all Optioned Project AOI Acquisition Costs for Additional Rights added to such Optioned Project or Optioned Project, as the case may be, which will be funded in accordance with Section 10.2(d)(i); and
 - (ii) Rae Wallace will fund 100% of all Operations, including all Maintenance Payments, on the Remaining Projects, and 100% of all Exploration AOI Acquisition Costs.
- (c) After an Exercise Date, the Parties will contribute to the costs of any Operations, including all Maintenance Payments and Optioned Project AOI Acquisition Costs, on each Optioned Project in proportion to their Proportionate Share. Within 30 days of the receipt by each Party from the Operator of the costs of Operations, each such Party will give written notice to the Operator stating whether it elects to contribute its Proportionate Share of such costs of



- (c) After the second Exercise Date (if applicable):
 - (i) Rae Wallace will forthwith do all things necessary to transfer the second Optioned Project to Newco free and clear of all Encumbrances, except the Permitted Encumbrances; or
 - (ii) if Newco is not formed (as set out in Section 6.1) and the Transaction is governed pursuant to a Joint Venture (as set out in Section 6.2), Rae Wallace will forthwith do all things necessary to facilitate the contribution of the second Optioned Project to the Joint Venture.

- 7.2 Relinquishment – If any portion of the Projects are required to be relinquished under Peruvian law, Rae Wallace will not relinquish any portion of such rights, without the prior written consent of Fronteer. For clarification, the Exploration AOI and the Optioned Project AOI will not be reduced in size as a result of any such relinquishment, and will continue to be defined as set out in Section 10.

- 7.3 Right of First Offer on Projects
 - (a) *Right of First Offer on Projects* – If, during the Election Period, RWMC – Peru wishes to explore and/or develop any of the Projects with a third party, through an option to earn an interest in the Project, the assignment, sale or transfer of an interest in the Project, or otherwise, RWMC – Peru must offer Fronteer the opportunity to explore and/or develop the Project on terms that RWMC – Peru establishes, subject to Section 7.3(b). If Fronteer does not accept the offer within 30 days following receipt of such notice, RWMC – Peru will then have 45 days to enter into an agreement to explore and/or develop the Project with a third party on the same terms or terms no more favourable to the third party as those provided in the notice given to Fronteer.

 - (b) *Exception* – The right of first offer set out in Section 7.3(a) does not apply to any proposed exploration and/or development of the Cayhua Project with Minera IRL S.A.

- 7.4 Provision of Information – Until the Option has been fully exercised as set out in Section 4, Rae Wallace will make available to Fronteer all material maps, assays, surveys, drill logs, samples, metallurgical, geological, geophysical, geochemical, engineering data and other information and data within its possession or control in respect of the Projects.

- 8. **Operator and Maintenance of Projects**

- 8.1 Operator
 - (a) From the Effective Date and until the first Election Date, Rae Wallace (or an Affiliate of Rae Wallace) will act as operator (the “**Operator**”) of the Projects and Fronteer will be the “**Non-Operator**”.

 - (b) After the first Election Date,
 - (i) Fronteer will become the Operator of each Project that it elects to be an Optioned Project, in accordance with Section 4.2(a), and Rae Wallace will become the Non-Operator of such Optioned Project or Optioned Projects, as the case may be, and



- (ii) Rae Wallace will continue to be the Operator of the Remaining Projects and Fronteer will continue to be the Non-Operator of the Remaining Projects.

8.2 Operator's Obligations – The Operator is obligated:

(a) to carry out Operations in a prudent and workmanlike manner, with the degree of effort, skill and judgment that is in accordance with good exploration, construction, mining, processing and engineering practices generally prevailing in the mining industry and in accordance with all applicable laws and regulations, including securities laws and regulations, and all agreements, concessions, authorizations, permits and licences relating to the Projects and the Operator;

(b) to pay and discharge all wages and accounts for material and services and all other costs and expenses that may be incurred by the Operator in connection with its Operations on the Projects, and, to save the Non-Operator harmless from and against all liens in respect of such Operations which may be filed against the Projects, and in the event of any liens being so filed, to proceed forthwith to have the same removed, provided that the foregoing provision will not prevent the Operator from properly contesting in good faith any claims for liens which the Operator considers unjustified;

(c) to indemnify and save the Non-Operator, its directors, officers, employees or representatives harmless (the "Indemnitees") from all claims and demands, costs (including reasonable attorneys' fees and expenses incurred by the Non-Operator), damages, actions, suits or other proceedings whatsoever arising out of or attributable to the grossly negligent acts or omissions of the Operator, its employees or representatives under this Agreement, except to the extent contributed to by the negligent acts or omissions of the Indemnitees, and/or where the Indemnitees acted in breach of safety, health, mining and other laws or regulations;

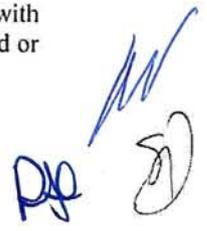
(d) to maintain and keep in force and, upon request by the Non-Operator provide reasonable documentary verification of, levels of insurance as are reasonable for Operations located in the Peru in respect of its activities on the Projects;

(e) to the extent within its control and subject to such health, safety and mining or other regulations, permit the Non-Operator, its employees or duly authorized representatives, at their own expense and risk and on reasonable notice to the Operator, access to the Projects, the information and data with respect to same, and the Operator's books and records in relation thereto in order to examine any Operations carried out by or on behalf of the Operator and results obtained therefrom;

(f) during the term of this Agreement and otherwise in accordance with international financial reporting standards consistently applied, to maintain true and correct books, accounts and records of Expenditures;

(g) to deliver to the Non-Operator quarterly progress reports during the exploration phases and monthly during any development operation activities indicating the status of any Operations being conducted on the Projects and disclosing any significant technical data learned or obtained in connection with such Operations, along with an estimate of the Expenditures incurred during that quarter or month, but no reports will be required during those periods in which no expenditures are being made;

(h) to deliver to the Non-Operator annually a report on the Operations conducted on or with respect to the Projects for the previous year summarizing any significant technical data learned or



Operations. Failure to give such notice within such 30-day period will be deemed to be an election by such Party not to contribute to such costs of Operations. An election or deemed election of a Party not to contribute to costs of Operations under this paragraph will result in the dilution of such Party's Interest, as set out in Section 9.2.

(d) At any time under Section 9.1(c), if a Party elects to contribute to costs of Operations and then fails to contribute its Proportionate Share, then such Party's Interest will be diluted at an accelerated dilution rate as set out in Section 9.2.

9.2 Dilution – If a Party (in this Section 9.2 the “Defaulting Party”) elects, or is deemed to elect, not to contribute its Proportionate Share to the costs of Operations (as set out in Section 9.1(c)) or elects to contribute to the costs of Operations and then fails to contribute its Proportionate Share of such costs (as set out in Section 9.1(d)) (where the Operations that triggers the dilution is referred to in this Section as the “Current Operations”), the Defaulting Party's Interest will be diluted (referred to in this Section 9.2 as a “Dilution”) as follows:

$$\text{Defaulting Party's Interest} = \frac{a + b}{c + d} \times 100$$

where

a	=	total Deemed Expenditures and Actual Expenditures of the Defaulting Party up to the date of the approval of the Current Operations, but not including any such Expenditures attributable to the Current Operations;
b	=	either: ----- (i) in the case of Section 9.1(c), the total Expenditures the Defaulting Party has elected to contribute (if any) to the Current Operations; or ----- (ii) in the case of Section 9.1(d), the total Expenditures the Defaulting Party actually contributes towards the Current Operations after committing to contribute, if any;
c	=	the total Deemed Expenditures and Actual Expenditures incurred or funded by all of the Parties up to the date of the approval of the Current Operations, but not including any such Expenditures attributable to the Current Operations; and
d	=	either: ----- (i) in the case of Section 9.1(c), the total Expenditures the non-Defaulting Party has elected to contribute to its Proportionate Share of the Current Operations, plus the amount the Defaulting Party elected, or deemed elected, not to contribute to its Proportionate Share of the Current Operations; or ----- (ii) in the case of Section 9.1(d), the total Expenditures the non-Defaulting Party has elected to contribute to its Proportionate Share of the Current Operations, plus the amount (multiplied by 2) that the non-Defaulting Party will contribute (if any) in place of the amount that the Defaulting Party elected to contribute of its Proportionate Share, but failed to contribute,

and the Interest of the non-Defaulting Party will be its relative proportion of the difference between 100% and the recalculated Interest of the Defaulting Party. The time and effect of the dilution calculation under this Section will be calculated as follows:

- (i) in the case of Section 9.1(c), the calculation of the Dilution under Section 9.2 will occur and be effective immediately upon a Party electing, or deeming to elect, not to contribute its Proportionate Share to the Current Operations; and
- (ii) in the case of Section 9.1(d), the calculation of the Dilution under Section 9.2 will occur and be effective immediately upon a Party failing to contribute its Proportionate Share of the Current Operations pursuant to a cash call after having elected to contribute to such program.

9.3 Dilution to Less Than 5% Interest – If, as a result of the dilution calculations set out in Section 9.2, the Interest of a Party is reduced to or below 5%, its Interest will be deemed to be forfeited and thereafter such Party will have no further rights or interest in respect of the Optioned Project or Optioned Projects, as the case may be, under this Agreement or the Shareholder's Agreement, and the termination provisions of Section 14 will apply.

10. Areas of Interest

10.1 Exploration AOI

(a) At any time on or before the Election Date of the second Optioned Project, any rights to Minerals or rights in real property, any other surface or other rights in relation to real property, or any right, concession, authorization, licence or permit in relation to the use or diversion of water that may affect the development of rights to Minerals ("**Additional Rights**") located wholly or partially within the Exploration AOI acquired by Rae Wallace or any of its Affiliates (directly or indirectly) will automatically become part of the Projects as follows:

- (i) if the Additional Rights are located wholly or partially within the external boundaries of the area of land that comprises a Project plus an additional area of 10 kilometres outside such external boundaries (a "**Project Area**"), then the Additional Rights and, including without limitations, all associated mining titles, such as governmental and regulatory concessions, authorizations, licences, permits and/or registrations, as well as lease agreements, real property rights, water titles and/or rights, data, maps, information, technical reports, drill core, samples and assays together with exploration tools, equipment and supplies thereafter acquired by either Party in relation to such Additional Rights, and all mining leases and other mining interests derived from any such concessions and rights, will automatically be added to the Projects; or
- (ii) if the Additional Rights are located entirely outside of a Project Area, then the Additional Rights and, including without limitations, all associated mining titles, such as governmental and regulatory concessions, authorizations, licences, permits and/or registrations, as well as lease agreements, real property rights, water titles and/or rights, data, maps, information, technical reports, drill core, samples and assays together with exploration tools, equipment and supplies thereafter acquired by either Party in relation to such Additional Rights, and all mining leases and other mining interests derived from any such concessions and rights, will automatically become an "**Additional Project**".



(b) If Rae Wallace or any of its Affiliates (directly or indirectly) acquire Additional Rights located wholly or partially within the Exploration AOI as set out in Section 10.1(a), Rae Wallace will promptly notify Fronteer in writing of the Additional Rights acquired and, if the Additional Rights were automatically added to the Projects as set out in Section 10.1(a)(i), the Project to which the Additional Rights were added.

(c) The acquisition costs of Additional Rights located wholly or partially within the Exploration AOI acquired by Rae Wallace or any of its Affiliates (directly or indirectly) in accordance with Section 10.1(a) (the "**Exploration AOI Acquisition Costs**") will be included as Expenditures under this Agreement and funded entirely by Rae Wallace.

(d) The inclusion of any Additional Rights as set out in Section 10.1(a) will not, however, enlarge the Exploration AOI beyond the area defined on the date of this Agreement, and the Exploration AOI will not reduce in size due to any relinquishment (as provided in Section 7.2) of any portion of the Projects.

10.2 Optioned Project AOI

(a) "**Optioned Project AOI**" will be defined as the area within the external boundaries of an Optioned Project, plus an additional area of 10 kilometres outside such external boundaries.

(b) During the term of this Agreement and the Shareholders' Agreement, any Additional Rights located wholly or partially within an Optioned Project AOI acquired by a Party or any of its Affiliates (directly or indirectly) and, including without limitations, all associated mining titles, such as governmental and regulatory concessions, authorizations, licences, permits and/or registrations, as well as lease agreements, real property rights, water titles and/or rights, data, maps, information, technical reports, drill core, samples and assays together with exploration tools, equipment and supplies thereafter acquired by either Party in relation to such Additional Rights, and all mining leases and other mining interests derived from any such concessions and rights, will automatically become part of the applicable Optioned Project.

(c) If a Party or any of its Affiliates (directly or indirectly) acquire Additional Rights located wholly or partially within an Optioned Project AOI as set out in Section 10.2(b), such Party will promptly notify the other Party in writing of the Additional Rights acquired and the Optioned Project to which the Additional Rights were added.

(d) The acquisition costs of Additional Rights located wholly or partially within an Optioned Project AOI acquired by a Party or any of its Affiliates (directly or indirectly) in accordance with Section 10.2(b) (the "**Optioned Project AOI Costs**") will be included as Expenditures under this Agreement, and if such Additional Rights are acquired:

- (i) by Rae Wallace before the Exercise Date of the Optioned Project to which such Additional Rights were added, the formation of Newco (subject to Sections 6.1 and 6.2) and the transfer of such Optioned Project to Newco, then Fronteer will reimburse Rae Wallace for such Optioned Project AOI Costs; and
- (ii) by either Party after the Exercise Date of the Optioned Project to which such Additional Rights were added, the formation of Newco (subject to Sections 6.1 and 6.2) and the transfer of such Optioned Project to Newco, then Newco will be responsible for such Optioned Project AOI Costs.



(e) The inclusion of any Additional Rights as set out in Section 10.2(b) will not, however, enlarge the Optioned Project AOI beyond the area defined on the Exercise Date of the applicable Optioned Project.

11. Transfer of Interest

11.1 Assignment to Wholly Owned Affiliates – Either Party may assign all or part of its rights under this Agreement, its Interest or its Newco Interest to a Wholly Owned Affiliate, and in such a case, the transferee will covenant to be bound by this Agreement (and, if applicable, the Shareholders' Agreement), and notwithstanding such transfer, the transferring Party will remain liable for all its obligations under this Agreement prior to the date of the transfer.

11.2 Ownership Structure – The Parties agree that they will hold their respective equity interests in Newco (as applicable, and each referred to as a “**Newco Interest**”) only directly, or through Wholly Owned Affiliates, all or substantially all the assets of which will comprise a direct (or indirect) Newco Interest.

11.3 Restriction on Transfer of Projects – RWMC – Peru may not assign, sell, transfer, pledge or mortgage all or any part of the Projects (directly or indirectly) except to Fronteer or to Newco, subject to Section 7.3. Upon transfer of the Optioned Project or Optioned Projects, as the case may be, to Newco (if applicable), RWMC – Peru will cause Newco to become a party to this Agreement, and Newco will covenant not to further assign, sell, transfer, pledge or mortgage all or any part of the Optioned Project or Optioned Projects, as the case may be.

11.4 Restrictions on Transfer of Interest, Newco Interest or Interest in Wholly Owned Affiliate

(a) A Party may not (i) transfer, or create or permit to be created any Encumbrances, save and except Permitted Encumbrances, over its Interest, Newco Interest or the shares or other ownership interest in any Wholly Owned Affiliate that holds such Interest or (ii) allow a Wholly Owned Affiliate of it that directly or indirectly holds such Interests to cease to be a Wholly Owned Affiliate of it except in each case with the prior express written consent of the other Party, subject to Section 11.4(b).

(b) If a Party (the “**Selling Party**”) wishes to sell its Interest, Newco Interest or the shares or other ownership interest in any Wholly Owned Affiliate that holds such Interest to a third party the Selling Party must offer the other Party (the “**Non-Selling Party**”) the opportunity to purchase such Interest, Newco Interest or shares or other ownership interest in any Wholly Owned Affiliate that holds such Interest at the price and on terms that the Selling Party establishes. If the Non-Selling Party does not accept the offer within 30 days following receipt of such notice, the Selling Party will then have 45 days to sell to the third party its Interest, Newco Interest or the shares or other ownership interest in any Wholly Owned Affiliate that holds such Interest at the same price and on the same terms or terms no more favourable as those provided in the notice given to the Non-Selling Party. For clarification, this Section 11.4(b) does not apply to a transfer to a Wholly Owned Affiliate of the Selling Party as set out in Section 11.1.

11.5 Assignment with Consent – A Party may not assign all or any part of its rights under this Agreement to a third party, unless it obtains the prior written consent of the other Parties, with such consent not to be unreasonably withheld or delayed.



12. Shareholders' Agreement

12.1 Terms in Shareholders' Agreement – The Parties acknowledge and agree that, in the interest of time, the terms and conditions of the Shareholders' Agreement are not being negotiated at this time, and that the Shareholders' Agreement will ultimately take the form of a Shareholders' Agreement based upon industry standards for a mining operation of the nature contemplated herein. In addition, as set out in Section 6.2, the Transaction may be governed by a Joint Venture Agreement rather than through Newco and a Shareholders' Agreement, and in such case such Joint Venture Agreement will contain provisions similar to those below, as applicable. Without limiting the generality of the foregoing, it is acknowledged and agreed that the Shareholders' Agreement will contain:

- (a) Operator obligations;
- (b) mechanics on distribution of distributable cash;
- (c) mechanics of taking in kind or any product offtake agreement;
- (d) mechanics of cash calls;
- (e) mechanics to provide any Party reasonable access to the Optioned Project or Optioned Projects, as the case may be, and all information in relation thereto;
- (f) mechanics to prevent a corporate decision making deadlock;
- (g) timely provision of financial statements of Newco; and
- (h) such other matters as are normally found in such Shareholders' Agreement, and not specifically agreed to herein.

13. Confidentiality

13.1 The Parties agree that this Agreement, and the Shareholders' Agreement (or the Joint Venture Agreement, if applicable) to be entered into, the Transaction, all information (whether embodied in tangible or electronic form) exchanged between the Parties under this Agreement and all information concerning or relating to the Transaction of which it becomes aware ("**Confidential Information**") is confidential; and must be kept confidential and must not be disclosed to any person at any time or in any manner except:

- (a) to Newco and any Party;
- (b) with the prior written consent of the other Party, such consent not to be unreasonably withheld;
- (c) to a bank or other financial institution considering the provision of or, which has provided financial accommodation to, a Party or an Affiliate of a Party or to a trustee, representative or agent or such a bank or financial institution;
- (d) by a Party to legal, financial and other professional advisers, auditors and other consultants, officers and employees of a Party or a Party's Affiliate, provided that such Party or

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Party's Affiliate has first agreed in writing to maintain the confidentiality of the Confidential Information;

(e) to the extent that the Confidential Information was publicly available at the date of this Agreement or becomes publicly available subsequent to the date of this Agreement without breach of this Agreement;

(f) to the extent that the information was disclosed to a Party on a non-confidential basis by a third party having lawful possession and the right to make such disclosure, and who was not under an obligation of confidence regarding the information;

(g) to the extent such information is independently developed by the Party in the future without use of the Confidential Information, as evidenced by appropriate records; and

(h) to the extent required by law or by a lawful requirement of any governmental authority or stock exchange having jurisdiction over Newco, the Parties or their Affiliates.

14. Termination of Agreement

14.1 Termination of Agreement – This Agreement will terminate upon:

(a) the Option terminating pursuant to Section 5.2;

(b) a Party diluting below a 5% Interest, resulting in its Interest being forfeited, as provided in Section 9.3; or

(c) the execution of the Shareholders' Agreement.

14.2 Deliveries after Termination – Upon termination of this Agreement or the Shareholders' Agreement, the terminating Party must deliver all records, information and data in respect of the Projects and Newco, and the non terminating Party will pay its Proportionate Share (calculated just prior to such termination) of all such fees to maintain the Optioned Projects in good standing for a period of three months. The terminating Party may keep a copy of such record for archival purposes only, subject to the terms of Section 10. Other than filing such work or paying such fees, the terminating Party will have no further rights or obligations to the other Parties or Newco, except in respect of those obligations or liabilities, the cause of which may have arisen prior to the date of termination.

14.3 Further Assurances on Termination – As soon as possible after termination, but in any event no later than three days thereafter, the Party exiting this Agreement or the Shareholders' Agreement, will take all such steps and do all such things and sign all such documents or procure the taking of all such steps, the doing of all such things and the signing of all such documents as may be necessary to transfer its undivided equity interest in Newco to the other Party. Notwithstanding such termination, the obligations of the exiting Party which arose prior to the termination and/or in terms of this Agreement, will survive and the other Party will be entitled to enforce same, including the recovery of any money together with any damages, costs and expenses it will incur in respect of the enforcement of its rights hereunder.



15. Cure Period, Force Majeure and Default

15.1 Cure Period – The funding of the Option Expenditures (within the time periods required by this Agreement) are subject to Force Majeure pursuant to Section 15.2 and are subject to the cure period set out in Section 15.3 in which to satisfy such obligations.

15.2 Force Majeure

(a) For the purposes of this Section 15.2, "Party" will include Parties to this Agreement, Newco and the Operator. No Party will be liable to another Party and no Party will be deemed in default under this Agreement for any failure or delay to perform any of its covenants and agreements when such performance is directly prevented as a consequence of an event of Force Majeure. For the purposes of this Agreement, "**Force Majeure**" means any cause not within the control of the Party, including:

- (i) acts of war (whether war be declared or not); public disorders, insurrection, rebellion, revolution, terrorist acts, sabotage, riots or violent demonstrations;
- (ii) social unrest or civil disobedience, caused by indigenous peoples, environmental lobbyists, non-governmental organizations or local community groups or other persons;
- (iii) injunctions imposed by any governmental authority except if caused by a breach of the law or a court resolution;
- (iv) explosions, fires or floods not caused by or attributable to a Party;
- (v) floods, earthquakes, hurricanes or other natural calamities or acts of God;
- (vi) shortages in workforce or supplies, travel and access restrictions imposed by government or other third parties, or other delays caused by endemics, epidemics or pandemics;
- (vii) strike or lockout or other industrial labour action or disruption (including unlawful but excluding lawful strikes or lockouts or other industrial labour action) which
 - (A) have national, regional, provincial or state-wide application,
 - (B) directly affect the performance of the obligations under this Agreement, and
 - (C) lasts for more than 7 consecutive calendar days;
- (viii) any action or failure to act within a reasonable time without justifiable cause by any governmental authority, its employees or agents including the denial of or delay in granting any land tenure, concession, authorization, licence, permit, lease, consent, approval or right which denial or delay will imply a material adverse effect on the construction or operation of the project, upon due application and diligent effort by the Party, Newco or the Operator (as the case

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may be) to obtain same, or the failure once granted to remain (without justifiable cause) in full force and effect or to be renewed on substantially similar terms;

- (ix) lack of agreement with the local communities and/or titleholders of the land over which the Projects are located, in spite of more than reasonable negotiation efforts conducted with them;
- (x) discovery of artefacts or archaeological ruins or any historic heritage; and
- (xi) injunctions not caused by any breach of this Agreement by any Party whether of the kind enumerated above or whether foreseen, foreseeable or otherwise unforeseeable.

(b) So far as possible, the Party affected will make all reasonable commercial efforts to remedy the delay caused by the events referred to above as soon as feasible, provided, however, that nothing contained in this Section 15.2 will require any Party to settle any industrial dispute or to test the constitutionality of any law, and failure to use such reasonable commercial efforts will preclude a Party from continuing to claim Force Majeure.

(c) A lack of funds will not be considered an event of Force Majeure, and the payment of monies from one Party to the other Party will be deemed to be within the reasonable control of the Party who is to pay and the lack of funds for any such payment will not be considered an event of Force Majeure.

(d) The Party suffering Force Majeure will notify the other Parties in writing of the expected period during which the Force Majeure will persist and take all such reasonable steps to cure its inability to perform as a result of the Force Majeure.

15.3 Default – Except as otherwise provided in this Agreement, if any Party (in this Section 15.3 a “**Defaulting Party**”) is in default of any requirement herein set forth, the other Party may give written notice to the Defaulting Party specifying the default. The Defaulting Party will not, except as specifically otherwise provided herein, lose any rights under this Agreement unless, within 30 days after the giving of notice of default by the non-Defaulting Party, the Defaulting Party has failed to take reasonable steps to cure the default by the appropriate performance or the Defaulting Party fails to dispute the notice of default. Upon any such failure, the non-Defaulting Party will be entitled to seek any appropriate remedy (including dilution of the Defaulting Party to the fullest extent) it may have on account of such default, except that neither Party will be entitled to call for a winding-up of Newco.

16. General

16.1 Currency – All dollar amounts expressed refer to the lawful currency of the United States of America.

16.2 Costs – Each Party will bear its own costs in respect of the negotiation, drafting and settlement of this Agreement and the Shareholders’ Agreement .

16.3 Public Disclosures – Prior to making any public disclosure in relation to any matter involving the Transaction, this Agreement or the Shareholders’ Agreement, the Projects and/or Newco, or any agreements contemplated herein which may have a material effect on the other Party or which may require the other Party to make such disclosure contemporaneously with the disclosing Party,



the Party proposing to make a public disclosure will, unless it is compelled by law or by a lawful requirement of any government authority or applicable stock exchange to make an immediate public disclosure, provide an advance copy to the other Party for its review and comment at such reasonable notice as circumstances may permit and further prior to the time of the proposed public disclosure. The Parties will at all times seek to co-operate to the fullest extent to avoid any prejudice or harm ensuing in respect of the disclosing Party as a result of a delay in obtaining the comments of the other Party. Provided, however, that a Party will not be required to accept any such suggestions and comments and nothing herein will be deemed to limit any Party's legal obligations.

- 16.4 Governing Law – This Agreement will be construed in accordance with the laws of the Province of British Columbia and the laws of Canada applicable therein. The parties irrevocably attorn to the exclusive jurisdiction of the courts of the province of British Columbia with respect to all matters arising hereunder.
- 16.5 Good Faith – The Parties will negotiate the Shareholders' Agreement in good faith and in a timely manner.
- 16.6 Notice – All notices and other communications under this Agreement will be in writing and may be delivered personally or transmitted by e-mail or facsimile as follows:

To Rae Wallace:
610 S. Rock Boulevard, Suite 205
Sparks, Nevada
89431, USA

Facsimile: 775-453-2209
Attention: George Cole
email: geocole00@gmail.com

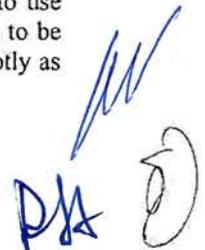
To Fronteer:

Suite 1650 – 1055 West Hastings Street
Vancouver, BC V6E 2E9
Canada

Facsimile: (604) 632-4677
Attention: Mark O'Dea
email: modea@fronteergold.com

or to such addresses as each Party may from time to time specify by notice. Any notice will be deemed to have been given and received if personally delivered, then on the day of personal service to the recipient Party, if sent by e-mail or facsimile transmission and successfully transmitted prior to 4:00 pm (of the time of the receiving Party) on the day of transmission, and if transmitted after 4:00 pm (of the time of the receiving Party) on that Business Day then on the next day following the date of transmission.

- 16.7 Further Assurances – Subject to the terms and conditions herein provided and to fiduciary obligations under applicable law as advised by legal counsel, each of the Parties agrees to use reasonable commercial efforts to take, or cause to be taken, all actions and to do, or cause to be done, all things necessary, proper or advisable to consummate and make effective as promptly as



practicable the Transaction contemplated by this Agreement, and co-operate with each other in connection with the foregoing, including using reasonable commercial efforts to (i) obtain all necessary consents, approvals and authorisations as are required to be obtained under any federal, state, provincial or foreign laws; (ii) defend all lawsuits or other legal proceedings challenging this Agreement or the consummation of the Transaction contemplated hereby; (iii) cause to be lifted or rescinded any injunction or restraining order or other order adversely affecting the ability of the Transaction contemplated hereby; (iv) effect all necessary registrations and other filings and submissions of information requested by all relevant governmental bodies; (v) obtain all necessary waivers, consents and approvals from other Parties to material agreements, leases and other contracts or agreements (including the agreement of any persons as may be required pursuant to any agreement, arrangement or understanding relating to the Projects); and (vi) fulfil all conditions and satisfy all provisions of this Agreement.

- 16.8 Counterparts – This Agreement may be executed in as many counterparts as may be necessary or by facsimile or email in .pdf and each such agreement or facsimile or .pdf so executed will be deemed to be an original and such counterparts together will constitute one and the same instrument.

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16.9 Survival – Sections 10 (*Confidentiality*), 14.2 (*Deliveries after Termination*), 14.3 (*Further Assurances on Termination*) and 16.4 (*Governing Law*) and all limitations of liability and rights accrued prior to completion, termination, or expiration of this Agreement will not merge on completion, termination, or expiration of this Agreement, but will continue in full force and effect after any termination or expiration of this Agreement as will any other provision of this Agreement which expressly or by implication from its nature is intended to survive the termination or expiration of this Agreement.

Should the foregoing be acceptable to you, please sign in the space provided at the end of this letter and return the signed letter to us.

Yours truly,

FRONTEER GOLD INC
By: 
Name: Sean Letzgart
Title: CFO & Secretary

TERMS OF THIS Agreement ACKNOWLEDGED AS ACCEPTABLE as of the date first written above.

RAE WALLACE PERU S.A.C.

By: 
Name:
Title:

RAE WALLACE MINING COMPANY

By: 
Name: GEORGE COLE
Title: PRESIDENT/CEO

SCHEDULE "A"

LISCAY PROJECT

It is located in Yauyos province / Chincha, Lima region / Ica.

Nº	Name	Code	Hectares	Registral File	Price (\$)
1	Liscay 1	01-05978-07	1000	12195849	3,718.2
2	Liscay 2	01-06190-07	1000	12195366	3,718.2
3	Liscay G3	01-06191-07	1000	12195746	3,718.2
4	Liscay 4	01-06230-07	1000	12195717	3,718.2
5	Liscay 5	01-06231-07	1000	12195697	3,718.2
6	Liscay 6	01-06431-07	1000	12437912	3,718.2
7	Liscay 7	01-06432-07	800	12196815	2,974.8
8	Liscay 8 1000	01-00399-08	1000	12438282	3,718.2
9	Liscay 9 1000	01-02352-08	1000	12437777	3,718.2
10	Liscay S 1 1000	01-00798-08	1000	12194178	3,718.2
11	Liscay S 2 1000	01-00800-08	1000	12190152	3,718.2
12	Liscay S 3 1000	01-00799-08	1000	12190327	3,718.2

TORO BLANCO PROJECT

It is located in Huaytara province, Huancavelica region.

Nº	Name	Code	Hectares	Registral File	Price (\$)
1	Tambo Nuevo 15	01-02803-04	900	11048698	10,125.00

CAYHUA PROJECT

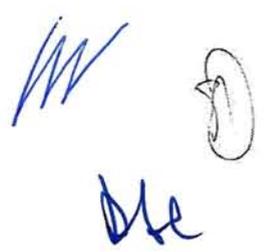
It is located in Huancayo province, Junin region.

Nº	Name	Code	Hectares	Registral File	Price (\$)
1	Tambo Nuevo 11	01-00443-04	400	11028687	\$551.00

LACHOC PROJECT

It is located in Huancavelica province, Huancavelica region.

Nº	Name	Code	Hectares	Registral File	Price (\$)
1	Lachoc	01-01132-07	1000	11111717	1,377.6
2	Los Osos 2006	01-02150-06	600	11098035	827.00



LAGARTIJA PROJECT

It is located in Yauyos province, Lima region.

Nº	Name	Code	Hectares	Registral File	Price (\$)
1	Lagartija 1	01-02097-06	1000	12139565	1,377.6
2	Los Lagartos 1 1000	01-01910-08	1000	12194143	1,377.6
3	Los Lagartos 2 1000	01-01911-08	1000		1,377.6

The registry without Registral File is pending.

MIRKO PROJECT

It is located in Huaytara province, Huancavelica region.

Nº	Name	Code	Hectares	Registral File	Price (\$)
1	Hermosita	01-01353-07	1000	11111698	1,377.6
2	Hermosita 500	01-01484-07	500	11111712	688.00
3	Hermosita 1000	01-01485-07	1000	11111700	1,377.6

SAN FELIPE PROJECT

It is located in Huaytara province, Huancavelica region.

Nº	Name	Code	Hectares	Registral File	Price (\$)
1	Tambo Nuevo 4	01-00094-04	400	11028676	551.00

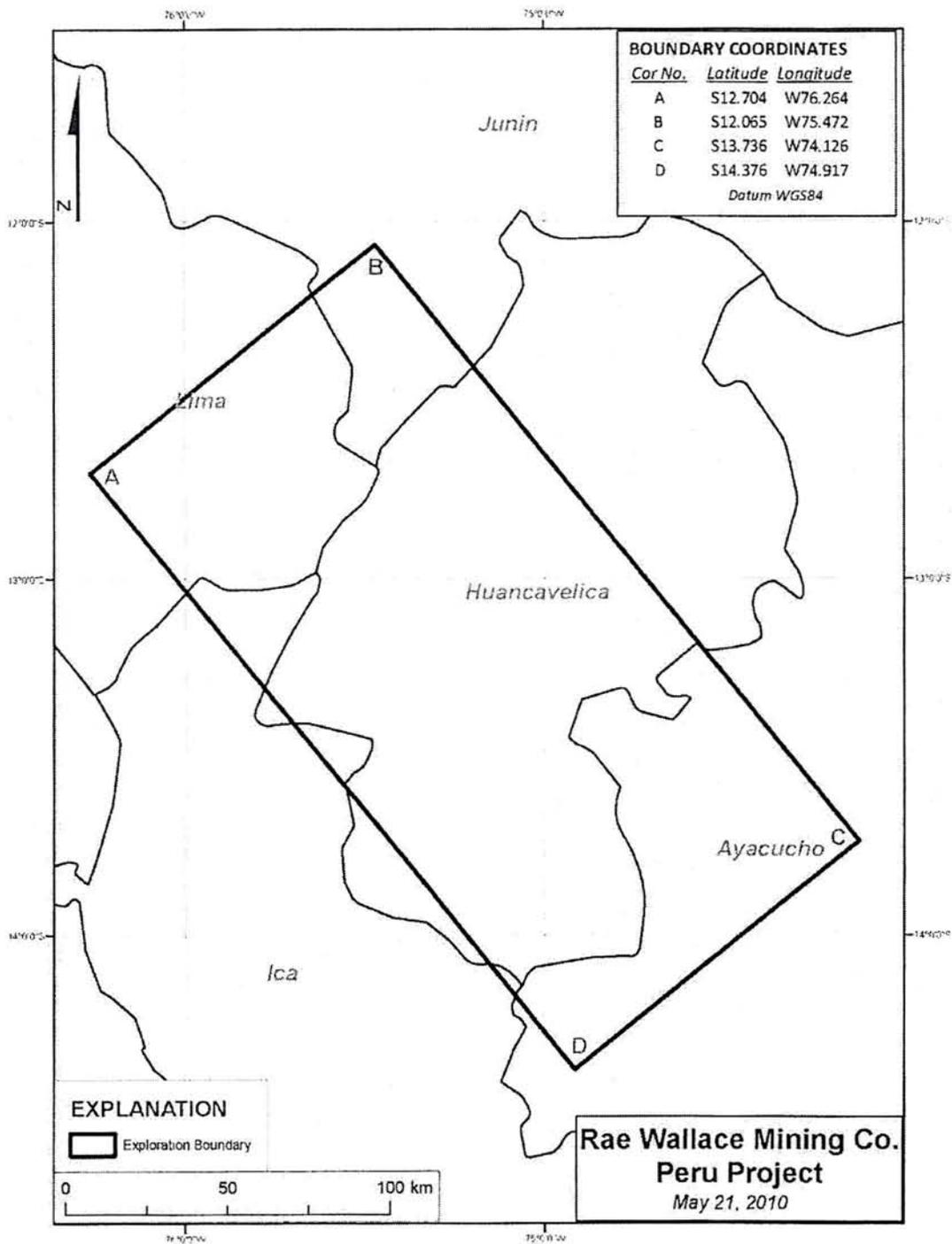
SURA PROJECT

It is located in Huaytara province, Huancavelica region.

Nº	Name	Code	Hectares	Registral File	Price (\$)
1	Tambo Nuevo 5	01-00106-04	1000	11028837	1,377.6
2	Tambo Nuevo 6	01-00107-04	500	11028675	688.00
3	Tambo Nuevo 13	01-00920-04	400	11111690	551.00

Handwritten signatures and initials in blue ink.

SCHEDULE "B"



Handwritten signatures and initials in blue ink.