

## AGENCY AGREEMENT

August 11, 2011

Northern Iron Corp.  
409 Granville Street, Suite 1051  
Vancouver, British Columbia V6C 1T2

Ladies and Gentlemen:

The undersigned, MGI Securities Inc. (the “**Lead Agent**”) and Stonecap Securities Inc. (collectively with the Lead Agent, the “**Agents**” and each individually an “**Agent**”), understand that Northern Iron Corp. (the “**Corporation**”) proposes to issue and sell a combination of up to 41,666,666 non flow-through units of the Corporation (each, a “**Non Flow-Through Unit**”) at a price of \$0.30 per Non Flow-Through Unit (the “**Non Flow-Through Unit Offering Price**”) and up to 15,151,515 flow-through units of the Corporation (each, a “**Flow-Through Unit**” and collectively with the Non Flow-Through Units, the “**Purchased Units**”) at a price of \$0.33 per Flow-Through Unit (the “**Flow-Through Unit Offering Price**”); provided that the Agents agree that the Offering (as defined below) must raise gross proceeds of a minimum of \$5,000,000 (the “**Minimum Offering**”) and a maximum of \$12,500,000 through the sale of Purchased Units. Each Non Flow-Through Unit will be comprised of one Common Share (as defined below) (each, a “**Unit Share**” and collectively, the “**Unit Shares**”) and one common share purchase warrant of the Corporation (each a “**Warrant**” and collectively, the “**Warrants**”). Each Warrant will entitle the holder to acquire one Common Share (a “**Warrant Share**”) at an exercise price of \$0.50 for a period of 24 months following the Closing Date (as defined below). Each Flow-Through Unit will be comprised of one Common Share (each, a “**Flow-Through Share**”) that qualifies as a “flow-through share” pursuant to the *Income Tax Act* (Canada) and one-half of one Warrant. The Flow-Through Units will be issued to subscribers pursuant to the Flow-Through Subscription Agreements (as defined below).

The Agents propose to distribute the Purchased Units and the Additional Units (as defined below), if any, in Canada pursuant to the Final Prospectus (as defined below) all in the manner contemplated by this Agreement.

By acceptance of this Agreement, the Corporation grants to the Agents an unassignable right (the “**Over-Allotment Option**”) to require the Corporation to sell, at the Option Closing Time (as defined below), up to an additional 15% of Purchased Units sold pursuant to the Offering (as defined below) at a price equal to the Non Flow-Through Unit Offering Price, in the case of Non Flow-Through Units sold pursuant to the Over-allotment Option (the “**Additional Non Flow-Through Units**”), and at a price equal to the Flow-Through Unit Offering Price, in the case of Flow-Through Units sold pursuant to the Over-Allotment Option (the “**Additional Flow-Through Units**”, and collectively with the Additional Non Flow-Through Units, the “**Additional Units**”). The number of Additional Non Flow-Through Units sold under the Over-Allotment Option may not exceed 15% of the Non Flow-Through Units sold under the Offering. The number of Additional Flow-Through Units sold under the Over-Allotment Option may not exceed 15% of the Flow-Through Units sold under the Offering. The Over-Allotment Option may be exercised by the Lead Agent in whole or in part, at any time before 5:00 p.m. (Toronto time) on the 30<sup>th</sup> day after the Closing Date, by providing written notice (the “**Exercise Notice**”)

to the Corporation, which Exercise Notice shall specify the number of Additional Units, if any, to be sold by the Corporation and the date on which such Additional Units are to be sold (the “**Option Closing Date**”). Such date may be the same as the Closing Date but not earlier than the Closing Date and shall be at least three Business Days (as defined below), but not more than five Business Days, after the date on which the Exercise Notice is delivered to the Corporation. The Additional Units may be sold solely for the purpose of covering over-allotments, if any, in connection with the Offering and for market stabilization purposes.

As consideration for the services of the Agents in connection with the Offering, the Corporation shall pay to the Agents the Agents’ Commission (as defined below) upon the completion of the Offering. As additional consideration for the services of the Agents in connection with the Offering, the Corporation shall grant to the Agents at the Closing Time and, if applicable, the Option Closing Time, non-transferable warrants (the “**Agent Warrants**”) equal to 8% of the total number of Purchased Units sold under the Offering. Each Agent Warrant will be exercisable for one Non Flow-Through Unit (each, an “**Agent Unit**”) at a price equal to the Non Flow-Through Unit Offering Price for a period of 24 months from the Closing Date. Each Agent Unit will consist of one Unit Share and one Warrant. The Agent Warrants will be evidenced by one or more definitive certificates (collectively, the “**Agent Warrant Certificates**”). The Corporation has also agreed to pay the Lead Agent a work fee of \$25,000 (the “**Work Fee**”) and a corporate finance fee that consists of \$100,000 and 333,333 Agent Warrants (the “**Corporate Finance Fee**”) payable upon the completion of the Offering.

The Purchased Units and the Additional Units are collectively referred to in this Agreement as the “**Offered Securities**”, and the Offered Securities, the Agent Warrants and the Agent Units are collectively referred to in this Agreement as the “**Securities**”.

## 1. Definitions

In this Agreement:

“**Additional Flow-Through Units**” has the meaning given to it above;

“**Additional Non Flow-Through Units**” has the meaning given to it above;

“**Additional Units**” has the meaning given to it above;

“**affiliate**”, “**distribution**”, “**material change**”, “**material fact**”, and “**misrepresentation**” have the respective meanings given to them in the *Securities Act* (Ontario);

“**Agent**” and “**Agents**” have the respective meanings given to them above;

“**Agent Unit**” has the meaning given to it above;

“**Agent Warrants**” has the meaning given to it above;

“**Agent Warrant Certificates**” has the meaning given to it above;

“**Agents’ Commission**” has the meaning given to it in Section 15;

“**Agents’ Information**” has the meaning given to it in Section 6(a);

“**Agreement**” means the agreement resulting from the acceptance by the Corporation of the offer made by the Agents by this letter;

“**Alternative Business Transaction**” means a business transaction involving a change of control of the Corporation or any subsidiary of the Corporation, including a merger, amalgamation, arrangement, take-over bid, insider bid, reorganization, joint venture or the sale of all or substantially all of the Corporation’s assets, exchange of assets or any similar transaction;

“**Business Day**” means any day, other than a Saturday, Sunday or statutory or civic holiday in Toronto, Ontario;

“**Canadian Securities Laws**” means all applicable securities laws in each of the Qualifying Jurisdictions and the respective rules, regulations, instruments, blanket orders and blanket rulings under such laws together with applicable published policies, policy statements and notices of the securities regulatory authorities in the Qualifying Jurisdictions;

“**Canadian Securities Regulators**” means the applicable securities commission or securities regulatory authority in each of the Qualifying Jurisdictions;

“**CDS**” means CDS Clearing and Depository Services Inc.;

“**CEE**” means an expense described in paragraph (f) of the definition of “Canadian exploration expense” in subsection 66.1(6) of the ITA or that would be described in paragraph (h) of such definition if the reference therein to “paragraphs (a) to (d) and (f) to (g.1)” were a reference to paragraph (f), excluding amounts which are prescribed to be “Canadian exploration and development overhead expenses” (as defined in the Regulations for the purposes of paragraph 66(12.6)(b) of the ITA), or amounts each of which is a cost of acquiring or obtaining the use of seismic data described in paragraph 66(12.6)(b.1) of the ITA, or any expenses for prepaid services or rent that do not qualify as outlays and expenses for the period as described in the definition of “expense” in subsection 66(15) of the ITA;

“**Claim**” has the meaning given to it in Section 21(b);

“**Closing**” means the completion of the issue and sale by the Corporation of the Purchased Units pursuant to this Agreement;

“**Closing Date**” means August 18, 2011 or such other date as the Corporation and the Agents may agree upon in writing, or as may be changed pursuant to this Agreement, but in any event shall not be later than August 31, 2011;

“**Closing Time**” means 8:00 a.m. (Toronto time) on the Closing Date;

“**Commitment Amount**” means the amount equal to the Flow-Through Unit Offering Price allocated to each Flow-Through Share multiplied by the number of Flow-Through

Units subscribed and paid for pursuant to all Flow-Through Subscription Agreements accepted by the Corporation;

“**Common Shares**” means common shares in the capital of the Corporation;

“**Corporate Finance Fee**” has the meaning given to it above;

“**Corporation**” has the meaning given to it above;

“**El Sol Property**” means the El Sol property of the Corporation, as described in the Prospectus;

“**Employment Laws**” has the meaning given to it in Section 7(ii);

“**Environmental Laws**” has the meaning given to it in Section 7(hh);

“**Exercise Notice**” has the meaning given to it above;

“**Expenditure Period**” means the period commencing on the Closing Date and ending on the earlier of (a) the date on which the aggregate Commitment Amount has been fully expended in accordance with the terms of the Flow-Through Subscription Agreements, and (b) December 31, 2012;

“**Final Prospectus**” means the final long form prospectus of the Corporation dated August 11, 2011 relating to the distribution of the Offered Securities and the Agent Warrants;

“**Flow-Through Share**” has the meaning given to it above;

“**Flow-Through Subscription Agreements**” means the subscription agreements to be entered into between the Corporation and the Agents as agent for, and on behalf of, and in the name of all subscribers of Flow-Through Units, substantially in the form attached as Schedule A to this Agreement;

“**Flow-Through Unit**” has the meaning given to it above;

“**Flow-Through Unit Offering Price**” has the meaning given to it above;

“**Governmental Authorities**” means governments, regulatory authorities, governmental departments, agencies, commissions, bureaus, officials, ministers, Crown corporations, courts, bodies, boards, tribunals or dispute settlement panels or other law, rule or regulation-making organizations or entities:

- (a) having or purporting to have jurisdiction on behalf of any nation, province, territory or state or any other geographic or political subdivision of any of them; or
- (b) exercising, or entitled or purporting to exercise any administrative, executive, judicial, legislative, policy, regulatory or taxing authority or power;

“**Governmental Licences**” has the meaning given to it in Section 7(gg);

“**Griffith Property**” means the Griffith property of the Corporation, as described in the Prospectus;

“**Indemnified Party**” has the meaning given to it in Section 21(b);

“**ITA**” means the *Income Tax Act* (Canada) and the regulations made under the *Income Tax Act* (Canada), both as amended from time to time;

“**Karas Property**” means the Karas property of the Corporation, as described in the Prospectus;

“**Lead Agent**” has the meaning given to it above;

“**Lien**” means any mortgage, charge, pledge, hypothec, security interest, assignment, lien (statutory or otherwise), charge, title retention agreement or arrangement, restrictive covenant or other encumbrance of any nature, or any other arrangement or condition which, in substance, secures payment or performance of an obligation;

“**Material Adverse Effect**” or “**Material Adverse Change**” means any effect, change, event or occurrence that is, or is reasonably likely to be, materially adverse to the results of operations, condition (financial or otherwise), assets, properties, capital, liabilities (contingent or otherwise), cash flow, income or business operations of the Corporation;

“**Material Properties**” means, together, the Griffith Property, the El Sol Property and the Karas Property;

“**Minimum Offering**” has the meaning given to it above;

“**Multilateral Instrument 11-102**” means Multilateral Instrument 11-102 – *Passport System* adopted by certain of the Canadian Securities Administrators;

“**National Instrument 43-101**” means National Instrument 43-101 – *Standards of Disclosure for Mineral Projects* of the Canadian Securities Administrators;

“**Non Flow-Through Unit**” has the meaning given to it above;

“**Non Flow-Through Unit Offering Price**” has the meaning given to it above;

“**notice**” has the meaning given to it in Section 30;

“**Offered Securities**” has the meaning given to it above;

“**Offering**” means the offering of Offered Securities to investors pursuant to the Final Prospectus;

“**Option Closing Date**” has the meaning given to it above;

“**Option Closing Time**” means 8:00 a.m. (Toronto time) on the Option Closing Date;

“**Over-Allotment Option**” has the meaning given to it above;

“**Preliminary Prospectus**” means the preliminary long form prospectus of the Corporation dated May 19, 2011 relating to the distribution of the Offered Securities and the Agent Warrants;

“**Prospectus**” means, collectively, the Preliminary Prospectus, the Final Prospectus and any Prospectus Amendment;

“**Prospectus Amendment**” means any amendment to the Preliminary Prospectus or the Final Prospectus;

“**Purchased Units**” has the meaning given to it above;

“**Qualifying Expenditures**” means expenses which are CEE which can be renounced, pursuant to subsections 66(12.6) and 66(12.66) of the ITA, to holders of Flow-Through Shares;

“**Qualifying Jurisdictions**” means all of the provinces of Canada, other than the Province of Québec;

“**Regulations**” means the regulations promulgated under the ITA;

“**ROFR**” has the meaning given to it in Section 19(a);

“**Securities**” has the meaning given to it above;

“**Selling Firm**” has the meaning given to it in Section 4(a);

“**Subsequent Transaction**” has the meaning given to it in Section 19(a);

“**TSX-V**” means the TSX Venture Exchange;

“**Underlying Shares**” means the Common Shares issuable by the Corporation as a result of the exercise by the holders thereof of Warrants and Agent Warrants, which include, for greater certainty, any Warrants issued on the exercise of Agent Warrants;

“**Unit Shares**” has the meaning given to it above;

“**Warrant Certificates**” means the certificates evidencing the Warrants;

“**Warrant Shares**” has the meaning given to it above;

“**Warrants**” has the meaning given to it above; and

“**Work Fee**” has the meaning given to it above.

Unless otherwise expressly provided in this Agreement, words importing only the singular number include the plural and vice versa and words importing gender include all genders. References to “Sections” and “paragraphs” are to the appropriate section or paragraph of this Agreement.

All references to dollars or “\$” are to Canadian dollars unless otherwise expressed.

## **2. Compliance with Securities Laws**

The Corporation represents and warrants to the Agents that the Corporation has prepared and filed the Preliminary Prospectus with the Canadian Securities Regulators and has obtained a receipt from the British Columbia Securities Commission for the Preliminary Prospectus. Pursuant to Multilateral Instrument 11-102, a receipt for the Preliminary Prospectus is deemed to be issued by the regulator in each of the Qualifying Jurisdictions other than the Province of British Columbia if the conditions of Multilateral Instrument 11-102 have been satisfied. The Corporation covenants with the Agents that it shall have, by no later than 5:00 p.m. (Toronto time) on August 11, 2011 (or such later date as may be determined by the Lead Agent in its sole discretion), prepared and filed the Final Prospectus with the Canadian Securities Regulators and shall have obtained a receipt from the British Columbia Commission for the Final Prospectus. Pursuant to Multilateral Instrument 11-102, a receipt for the Final Prospectus will be deemed to have been issued by the regulator in each of the Qualifying Jurisdictions other than the Province of British Columbia if the conditions of Multilateral Instrument 11-102 have been satisfied. The Corporation will promptly fulfil and comply with, to the satisfaction of the Agents, acting reasonably, Canadian Securities Laws required to be fulfilled or complied with by the Corporation to enable the Offered Securities to be lawfully distributed to the public in the Qualifying Jurisdictions through the Agents or any other investment dealers or brokers registered as such in the Qualifying Jurisdictions.

## **3. Due Diligence**

Prior to the filing of the Final Prospectus and any Prospectus Amendment, the Corporation shall permit the Agents to review and participate in the preparation of the Final Prospectus and shall allow each of the Agents to conduct any due diligence investigations which it reasonably requires in order to fulfil its obligations as an agent under Canadian Securities Laws and in order to enable it to responsibly execute the certificate in the Final Prospectus required to be executed by it. Following the filing of the Final Prospectus up to the later of the Closing Date and the date of completion of the distribution of the Offered Securities, the Corporation shall allow each of the Agents to conduct any due diligence investigations which it reasonably requires in order to fulfill its obligations as an agent under Canadian Securities Laws.

## **4. Restrictions on Sale**

- (a) The Corporation agrees that the Agents will be permitted to appoint, at their sole expense, other registered dealers or brokers as their agents to assist in the distribution of the Offered Securities. The Agents shall, and shall require any such dealer or broker, other than the Agents, with which the Agents have a contractual relationship in respect of the distribution of the Offered Securities (a “**Selling Firm**”), to comply with Canadian Securities Laws in connection with the distribution of the Offered Securities and shall offer the Offered Securities for sale to the public directly and through Selling Firms upon the terms and conditions set out in the Final Prospectus and this Agreement. The Agents shall, and shall require any Selling Firm, to offer for sale to the public and sell the Offered Securities only in those jurisdictions where they may be lawfully offered for sale or sold.

- (b) The Agents shall, and shall require any Selling Firm to agree to, observe and distribute the Offered Securities in a manner that complies with all applicable laws and regulations in each jurisdiction into and from which they may offer to sell the Offered Securities or distribute the Prospectus in connection with the distribution of the Offered Securities and will not, directly or indirectly, offer, sell or deliver any Offered Securities or deliver the Prospectus to any person in any jurisdiction other than in the Qualifying Jurisdictions and except in a manner which will not require the Corporation to comply with the registration, prospectus, continuous disclosure, filing or other similar requirements under the applicable securities laws of such other jurisdictions.
- (c) Notwithstanding the foregoing, an Agent will not be liable for any breach under this Section 4 by another Agent if the Agent first mentioned is not itself also in breach of this Section 4.
- (d) For the purposes of this Section 4, the Agents shall be entitled to assume that the Offered Securities are qualified for distribution in any Qualifying Jurisdiction where a receipt or similar document for the Final Prospectus shall have been obtained from the applicable Canadian Securities Regulator following the filing of the Final Prospectus.
- (e) Each of the Agents acknowledges and agrees that it has the authority to execute and deliver the Flow-Through Subscription Agreements on behalf of the purchasers of Flow-Through Units. The Corporation and the Agents acknowledge and agree that, to the extent that the Agents purchase any of the Flow-Through Units, any person to whom the Agents resell such Flow-Through Units will not be eligible for any tax benefits available to purchasers under Canadian federal and provincial tax legislation.

## **5. Delivery of Documents**

- (a) On or prior to the time of filing of the Final Prospectus, the Corporation shall deliver to the Agents (except to the extent such documents have been previously delivered to the Agents):
  - (i) a copy of each of the Preliminary Prospectus and the Final Prospectus signed and certified by the Corporation as required by Canadian Securities Laws in the Qualifying Jurisdictions;
  - (ii) a copy of any other document required to be filed by the Corporation under Canadian Securities Laws;
  - (iii) a “long-form” comfort letter of MNP LLP dated the date of the Final Prospectus (with the requisite procedures to be completed by such auditors no later than two Business Days prior to the date of the Final Prospectus), addressed to the Agents, the Corporation and the directors of the Corporation, in form and substance satisfactory to the Agents, acting reasonably, with respect to certain financial and numerical information relating to the Corporation contained in the Final Prospectus, which letters



shall be in addition to the auditors' reports contained in the Final Prospectus and any auditors' comfort letters addressed to the Canadian Securities Regulators; and

- (iv) a copy of the letter from the TSX-V advising the Corporation that conditional approval of the listing of the Common Shares and the Underlying Shares has been granted by the TSX-V, subject to the satisfaction of the customary conditions set out in such letter.
- (b) In the event that the Corporation is required by Canadian Securities Laws to prepare and file a Prospectus Amendment, the Corporation shall prepare and deliver promptly to the Agents signed and certified copies of such Prospectus Amendment. Any Prospectus Amendments shall be in form and substance satisfactory to the Agents, acting reasonably. Concurrently with the delivery of any Prospectus Amendment, the Corporation shall deliver to the Agents, with respect to such Prospectus Amendment, documents similar to those referred to in Sections 5(a)(ii) and (iii).
- (c) Each Agent, or other registered dealer or broker, will deliver to the Corporation Flow-Through Subscription Agreements in respect of the Flow-Through Units purchased by purchasers, executed by the Agent, or other registered dealer or broker, as agent for such purchasers.

## **6. Representations as to Prospectus and Prospectus Amendments**

Filing of the Preliminary Prospectus, the Final Prospectus and any Prospectus Amendment shall constitute a representation and warranty by the Corporation to the Agents that, as at their respective dates and as at the date of filing:

- (a) the information and statements (except information and statements relating solely to the Agents which have been provided by the Agents in writing specifically for use in the Preliminary Prospectus, the Final Prospectus or any Prospectus Amendment (collectively, "**Agents' Information**")) contained in the Preliminary Prospectus, the Final Prospectus and any Prospectus Amendment are true and correct and contain no misrepresentation and constitute full, true and plain disclosure of all material facts relating to the Corporation and the securities being offered under the Prospectus;
- (b) such disclosure does not contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made, in the light of the circumstances under which they were made, not misleading; and
- (c) except with respect to any Agents' Information and except for any matters in respect of which any exemptive relief is granted by the Canadian Securities Regulators, such documents comply fully with the requirements of Canadian Securities Laws.

Such filings shall also constitute the Corporation's consent to the Agents' use of the Preliminary Prospectus, the Final Prospectus and any Prospectus Amendment in connection with the

distribution of the Offered Securities in the Qualifying Jurisdictions in compliance with this Agreement and Canadian Securities Laws.

## **7. Additional Representations and Warranties of the Corporation**

The Corporation represents and warrants to the Agents, and acknowledges that the Agents are relying upon such representations and warranties in distributing the Offered Securities that:

- (a) except as otherwise disclosed in the Prospectus, since March 31, 2011, (i) there has been no material change (actual, anticipated, contemplated or threatened, financial or otherwise) in the business, affairs, operations, assets, liabilities (contingent or otherwise) or capital of the Corporation, (ii) there have been no transactions entered into by the Corporation which are material with respect to the Corporation, other than those in the ordinary course of business, and (iii) there has been no dividend or distribution of any kind declared, paid or made by the Corporation on any class of its shares;
- (b) the Corporation is a corporation existing under the laws of the Province of Ontario and is properly registered or licensed to carry on business under the laws of all jurisdictions in which its business is carried on, except where the failure to be so registered or licensed would not have a Material Adverse Effect;
- (c) the Corporation does not have any subsidiaries;
- (d) the Corporation has the requisite corporate power, authority and capacity to enter into this Agreement, the Warrant Certificates, the Agent Warrant Certificates and the Flow-Through Subscription Agreements and to perform its obligations under this Agreement (including the execution and delivery of the Preliminary Prospectus, the Final Prospectus and any Prospectus Amendments and the filing of each of them with the Canadian Securities Regulators, and the issuance of the Securities), the Warrant Certificates and the Agent Warrant Certificates (including the issuance and delivery of the Agent Units and the Underlying Shares) and the Flow-Through Subscription Agreements and the Corporation has the requisite corporate power, authority and capacity to own, lease and operate its property and assets and to carry on its business as currently carried on or as proposed to be carried on;
- (e) the Corporation's authorized share capital consists of an unlimited number of Common Shares, of which 28,638,333 Common Shares are issued and outstanding as of the date of this Agreement. No person, firm or corporation has any agreement or option, or right or privilege (whether pre-emptive or contractual) capable of becoming an agreement or option, for the purchase from the Corporation of any unissued Common Shares, except as disclosed in the Prospectus;
- (f) all of the issued and outstanding Common Shares have been duly and validly authorized and issued and are fully paid and non-assessable shares of the Corporation, and none of the outstanding Common Shares were issued in

violation of pre-emptive or similar rights of any securityholder of the Corporation;

- (g) the Corporation does not own, directly or indirectly, any shares or any other equity or debt securities of any corporation or company or have any equity interest in any firm, partnership (limited, general or otherwise), limited liability company, unlimited liability company, joint venture, association or other entity;
- (h) the financial statements of the Corporation included in the Prospectus have been prepared in conformity with Canadian generally accepted accounting principles applied on a consistent basis throughout the periods involved and present fairly in all material respects the financial position, results of operations and cash flows of the Corporation as at the dates of and for the periods referred to in such statements. The selected financial information contained in the summary and in the body of the Prospectus, and the information under the heading “Consolidated Capitalization” contained in the Prospectus, have been compiled on a basis consistent with that of the financial statements referred to above;
- (i) the Corporation has not incurred any liabilities or obligations (whether accrued, absolute, contingent or otherwise) that continue to be outstanding except (i) as disclosed or contemplated in the Prospectus, or (ii) as incurred in the ordinary course of business by the Corporation and which do not have a Material Adverse Effect;
- (j) except as disclosed in the Prospectus, no acquisition has been made by the Corporation during its two most recently completed fiscal years that would be a significant acquisition for the purposes of Canadian Securities Laws, and no proposed acquisition by the Corporation has progressed to a state where a reasonable person would believe that the likelihood of the Corporation completing the acquisition is high and that, if completed by the Corporation at the date of the Prospectus, would be a significant acquisition for the purposes of Canadian Securities Laws, in each case, that would require the prescribed disclosure in the Prospectus pursuant to such laws;
- (k) the Corporation maintains a system of internal control over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian generally accepted accounting principles and maintains, or will following the Closing maintain, a system of disclosure controls and procedures that is designed to provide reasonable assurances that information required to be disclosed by the Corporation under Canadian Securities Laws is recorded, processed, summarized and reported within the time periods specified under Canadian Securities Laws and to ensure that information required to be disclosed by the Corporation under Canadian Securities Laws is accumulated and communicated to the Corporation’s management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure;

- (l) except as disclosed in the Prospectus, no director or officer, former director or officer, or shareholder or employee of, or any other person not dealing at arm's length with, the Corporation will continue after the Closing to be engaged in any material transaction or arrangement with or to be a party to a material contract with, or has any indebtedness, liability or obligation to, the Corporation;
- (m) except as would not have a Material Adverse Effect, the Corporation is not in breach or violation of, and the execution and delivery of this Agreement, the Warrant Certificates, the Agent Warrant Certificates and the Flow-Through Subscription Agreements and the performance by the Corporation of its obligations hereunder and thereunder, the issue, sale and delivery of the Offered Securities, the grant of the Over-Allotment Option and the delivery of the Agent Warrants will not result in any breach or violation of, or be in conflict with, or constitute a default under, or create a state of facts which, after notice or lapse of time, or both, would constitute a default under any term or provision of the constating documents or by-laws of the Corporation or any resolution of the directors or shareholders of the Corporation or any material contract, mortgage, note, indenture, joint venture or partnership arrangement, agreement (written or oral), instrument, lease, judgment, decree, order, statute, rule, licence or regulation applicable to the Corporation and will not give rise to any Lien on or with respect to the properties or assets leased, operated or now owned or hereafter acquired by the Corporation or the acceleration of or the maturity of any debt under any indenture, mortgage, lease, agreement or instrument binding or affecting any of them or any of their properties or assets;
- (n) no approval, authorization, consent or other order of, and no filing, registration or recording with, any Governmental Authority or other person is required of the Corporation in connection with the execution and delivery of, or with the performance by the Corporation of its obligations under, this Agreement, the Warrant Certificates, the Agent Warrant Certificates or the Flow-Through Subscription Agreements, except as disclosed in the Prospectus or as required by Canadian Securities Laws with regard to the distribution of the Offered Securities in the Qualifying Jurisdictions;
- (o) the Corporation is not aware of any pending change or contemplated change to any applicable law or regulation or governmental position that would have a Material Adverse Effect;
- (p) this Agreement, the Warrant Certificates, the Agent Warrant Certificates and the Flow-Through Subscription Agreements and the performance of the Corporation's obligations under this Agreement (including the execution and delivery of the Preliminary Prospectus, the Final Prospectus and any Prospectus Amendments and the filing of each of them with the Canadian Securities Regulators), the Warrant Certificates, the Agent Warrant Certificates and the Flow-Through Subscription Agreements have been duly authorized by all necessary corporate action, and this Agreement, the Warrant Certificates, the Agent Warrant Certificates and the Flow-Through Subscription Agreements have been duly executed and delivered, or will be duly executed and delivered prior to the Closing Time, as the case may be, by the Corporation and constitute, or will

constitute prior to the Closing Time, as the case may be, legal, valid and binding obligations of the Corporation, enforceable against the Corporation in accordance with their terms, except as enforcement hereof and thereof may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the rights of creditors generally and by the application of equitable principles when equitable remedies are sought and subject to the fact that rights of indemnity and contribution may be limited by applicable law;

- (q) on or prior to the Closing Time, the form of the certificates for the Common Shares, the Warrants and the Agent Warrants will have been approved by the board of directors of the Corporation and adopted by the Corporation and will comply with all applicable legal and stock exchange requirements and will not conflict with the Corporation's by-laws or constating documents;
- (r) except as disclosed in the Prospectus, there are no shareholders' agreements, voting agreements or other agreements in force or effect which in any manner affects or will affect the voting or control of any of the securities of the Corporation or the operations or affairs of the Corporation;
- (s) the attributes of the Securities will be consistent in all material respects with the descriptions of the Securities in the Prospectus;
- (t) the Unit Shares and Flow-Through Shares forming part of the Purchased Units and the Additional Units respectively, have been duly and validly authorized and, when issued and delivered in accordance with this Agreement, will be validly issued as fully paid and non-assessable shares of the Corporation and will not have been issued in violation of or be subject to any pre-emptive rights or contractual rights to purchase securities issued by the Corporation;
- (u) the Warrants (including for greater certainty Warrants issued as a result of the exercise of Agent Warrants) and the Agent Warrants have been duly and validly authorized and, when issued and delivered in accordance with this Agreement, the Warrant Certificates and the Agent Warrant Certificates, will be validly issued warrants of the Corporation and will not have been issued in violation of or be subject to any pre-emptive rights or contractual rights to purchase securities issued by the Corporation;
- (v) the Underlying Shares have been duly and validly authorized and reserved for issuance and, upon due exercise of the Warrants, the Agent Warrants and the Warrants issued as a result of the exercise of the Agent Warrants, as the case may be, will be validly issued as fully-paid and non-assessable Common Shares and will not have been issued in violation of or be subject to any pre-emptive rights or contractual rights to purchase securities issued by the Corporation;
- (w) to the knowledge of the Corporation, no securities commission, stock exchange or comparable authority has issued any order requiring trading in any of the Corporation's securities to cease, preventing or suspending the use of the Preliminary Prospectus, the Final Prospectus or any Prospectus Amendment or preventing the distribution of the Securities in any Qualifying Jurisdiction nor

instituted proceedings for that purpose and, to the knowledge of the Corporation, no such proceedings are pending or contemplated;

- (x) Equity Financial Trust Company, at its principal offices in the City of Toronto, has been duly appointed as registrar and transfer agent for the Common Shares;
- (y) except as disclosed in the Prospectus, there is no litigation or governmental or other proceeding or investigation at law or in equity before any Governmental Authority, domestic or foreign, in progress, pending or, to the Corporation's knowledge, threatened (and the Corporation does not know of any basis therefor) against, or involving the assets, properties or business of, the Corporation, nor are there any matters under discussion with any Governmental Authority relating to taxes, governmental charges, orders or assessments asserted by any such authority, and, to the Corporation's knowledge, there are no facts or circumstances which would reasonably be expected to form the basis for any such litigation, governmental or other proceeding or investigation, taxes, governmental charges, orders or assessments;
- (z) the Common Shares and the Underlying Shares are conditionally approved for listing on the TSX-V, subject to the satisfaction of customary conditions required by the TSX-V;
- (aa) MNP LLP is independent with respect to the Corporation within the meaning of the rules of professional conduct applicable to auditors in British Columbia; there has not been any reportable event (within the meaning of National Instrument 51-102 – *Continuous Disclosure Obligations* of the Canadian Securities Administrators);
- (bb) all tax returns required to be filed by the Corporation on or prior to the date hereof have been filed, and all taxes and other assessments of a similar nature (whether imposed directly or through withholding), including any interest, additions to tax or penalties applicable thereto, due or claimed to be due have been paid, other than non-material amounts or those being contested in good faith and for which adequate reserves have been provided, and the Corporation is not a party to any agreement, waiver or arrangement with any taxing authority which relates to any extension of time with respect to the filing of any tax returns, any payment of taxes or any assessment thereof; there is no tax deficiency which has been asserted against the Corporation which would have a Material Adverse Effect, and all material tax liabilities are adequately provided for in accordance with Canadian generally accepted accounting principles within the financial statements included in the Prospectus for all periods up to March 31, 2011; there are no assessments or investigations in progress, pending or, to the knowledge of the Corporation, threatened, against the Corporation in respect of taxes, which, if so assessed, would have a Material Adverse Effect; there are no Liens for taxes upon the assets of the Corporation;
- (cc) except where non-compliance does not have, and may not reasonably be expected to have, a Material Adverse Effect, the Corporation has conducted and is conducting its business in compliance with all applicable laws, rules and

regulations of each jurisdiction in which it carries on business and the Corporation has not received any notice of any alleged violation of any such laws, rules and regulations;

- (dd) the Corporation holds mining claims or other conventional property, proprietary or contractual interests or rights, recognized in the Province of Ontario in respect of the ore bodies and minerals located in the Material Properties as disclosed in the Prospectus under valid, subsisting and enforceable title documents or other recognized and enforceable agreements or instruments, sufficient to permit the Corporation to explore and exploit the minerals relating thereto, except as described in the Prospectus, and all such property or claims and all property or claims in which the Corporation has an interest or right have been validly located and recorded in accordance with all applicable laws and are valid and subsisting; the Corporation has all necessary surface rights, access rights and other necessary rights and interests relating to the properties in which the Corporation has an interest as disclosed in the Prospectus granting the Corporation the right and ability to explore for minerals for development purposes, with only such exceptions as are described in the Prospectus or as do not have a Material Adverse Effect. Each of the documents, agreements, instruments and obligations referred to above is currently in good standing in the name of the Corporation;
- (ee) any and all of the agreements and other documents and instruments pursuant to which the Corporation holds the property and assets thereof (including any interest in, or right to earn an interest in, any property) are valid and subsisting agreements, documents or instruments in full force and effect, enforceable in accordance with terms thereof; the Corporation is not in default of any of the material provisions of any such agreements, documents or instruments nor has any such default been alleged and such properties and assets are in good standing under the applicable statutes and regulations of the jurisdictions in which they are situated; all leases, licenses and claims pursuant to which the Corporation derives the interests thereof in such property and assets are in good standing and there has been no material default under any such lease, license or claim and all taxes required to be paid with respect to such properties and assets to the date hereof have been paid. None of the Material Properties (or any interest in, or right to earn an interest in, the Material Properties) is subject to any right of first refusal or purchase or acquisition right which is not disclosed in the Prospectus;
- (ff) each of the final technical reports of the Corporation filed on SEDAR in connection with the Final Prospectus complied in all material respects with the requirements of National Instrument 43-101 and the Corporation has made available to the authors, prior to the issue of such technical reports for the purposes of preparing such technical reports, all information requested by the authors which information, to the best knowledge of the Corporation, did not contain any misrepresentation at its date. The Corporation is not aware of any Material Adverse Change in any information provided to the authors since the date that such information was so provided;
- (gg) the Corporation possesses such permits, licences, approvals, consents and other authorizations (collectively, “**Governmental Licences**”) issued by Governmental

Authorities necessary to conduct the business now operated by them, except where the failure to so possess would not, individually or in the aggregate, have a Material Adverse Effect and all such Governmental Licences are valid and existing and in good standing. The Corporation is in compliance with the terms and conditions of all such Governmental Licences, except where the failure to so comply would not, individually or in the aggregate, have a Material Adverse Effect;

- (hh) except to the extent that any violation or other matter referred to in this subsection does not have a Material Adverse Effect, in respect of the Corporation:
- (i) it is not in violation of any applicable federal, provincial, municipal or local laws, regulations, orders, government decrees or ordinances with respect to environmental, health or safety matters (collectively, “**Environmental Laws**”);
  - (ii) it has operated its business at all times and has received, handled, used, stored, treated, shipped and disposed of all contaminants without violation of Environmental Laws;
  - (iii) there have been no spills, releases, deposits or discharges of hazardous or toxic substances, contaminants or wastes into the earth, air or into any body of water or any municipal or other sewer or drain water systems by it that have not been remedied;
  - (iv) no orders, directions or notices have been issued and remain outstanding pursuant to any Environmental Laws relating to the business or assets of the Corporation;
  - (v) it has not failed to report to the proper federal, provincial, state, municipal or other political subdivision, government, department, commission, board, bureau, agency or instrumentality, domestic or foreign, the occurrence of any event which is required to be so reported by any Environmental Laws;
  - (vi) it holds all licenses, permits and approvals required under any Environmental Laws in connection with the operation of its business and the ownership and use of its assets, all such licenses, permits and approvals are in full force and effect, and it has not received any notification pursuant to any Environmental Laws that any work, repairs, constructions or capital expenditures are required to be made by it as a condition of continued compliance with any Environmental Laws, or any license, permit or approval issued pursuant thereto, or that any license, permit or approval referred to above is about to be reviewed, made subject to limitation or conditions, revoked, withdrawn or terminated; and
  - (vii) it (including, if applicable, any predecessor companies thereof) has not received any notice of, or been prosecuted for an offence alleging,



material non-compliance with any Environmental Laws, and it has not settled any allegation of material non-compliance short of prosecution;

- (ii) (i) the Corporation is in compliance, in all material respects, with the provisions of all applicable federal, provincial, local and foreign laws and regulations respecting employment and employment practices, terms and conditions of employment and wages and hours (collectively, “**Employment Laws**”), (ii) no collective labour dispute, grievance, arbitration or legal proceeding is ongoing, pending or, to the knowledge of the Corporation, threatened and no individual labour dispute, grievance, arbitration or legal proceeding is ongoing, pending or, to the knowledge of the Corporation, threatened with any employee of the Corporation that would have a Material Adverse Effect, and, to the knowledge of the Corporation, none has occurred during the past year, and (iii) no union has been accredited or otherwise designated to represent any employees of the Corporation and, to the knowledge of the Corporation, no accreditation request or other representation question is pending with respect to the employees of the Corporation, and no collective agreement or collective bargaining agreement or modification thereof has expired or is in effect in any of the Corporation’s facilities and none is currently being negotiated by the Corporation;
- (jj) the Corporation maintains such policies of insurance, issued by responsible insurers, as are appropriate to its operations, property and assets, in such amounts and against such risks as are customarily carried and insured against by owners of comparable businesses, properties and assets and all such policies of insurance will at the Closing Time continue to be in full force and effect and the Corporation is not in default as to the payment of premiums or otherwise, under the terms of any such policy;
- (kk) except as disclosed in the Prospectus, the Corporation has no outstanding any debentures, notes, mortgages, or other indebtedness that is material to the Corporation;
- (ll) the minute books and corporate records of the Corporation made available to Osler, Hoskin & Harcourt LLP, counsel to the Agents, in connection with the Agents’ due diligence investigation are the original minute books and records or true and complete copies thereof and contain copies of all proceedings of the shareholders, the boards of directors and all committees of the boards of directors of each of such entities that have been minuted or resolved and there have been no other meetings, resolutions or proceedings of the shareholders, boards of directors or any committee thereof to the date of review of such corporate records and minute books not reflected in such minute books and other corporate records, other than those which are not material in the context of such entities, as applicable;
- (mm) neither the Corporation nor any other party controlled by the Corporation, nor, to the knowledge of the Corporation, any affiliate of the Corporation has taken, nor will the Corporation or any affiliate take, any action which constitutes stabilization or manipulation of the price of any security of the Corporation to facilitate the sale or resale of the Offered Securities;

- (nn) other than as contemplated by this Agreement, there is no person acting at the request of the Corporation who is entitled to any brokerage or agency fee in connection with the sale of the Offered Securities and, other than the Corporation, there is no person that is or will be entitled to demand the proceeds of the Offering;
- (oo) the Corporation intends to apply the net proceeds of the Offering substantially in accordance with the disclosure set out under the heading "Use of Proceeds" in the Prospectus;
- (pp) but for any agreement to which the Corporation is not a party and of which it has no knowledge, upon issuance pursuant to the Offering, the Flow-Through Shares will be "flow-through shares" as defined in subsection 66(15) of the ITA and will not constitute "prescribed shares" for the purpose of regulation 6202.1 of the regulations to the ITA;
- (qq) the Corporation will incur during the Expenditure Period, Qualifying Expenditures in such amounts that enables the Corporation to renounce to the subscribers of the Flow-Through Units effective on or before December 31, 2011 in accordance with the Flow-Through Subscription Agreements and the ITA, Qualifying Expenditures in an amount equal to the Commitment Amount;
- (rr) the Corporation will for purposes of the ITA, within the times set out below and in accordance with the provisions of subsections 66(12.6) and 66(12.66) of the ITA, take all necessary steps to renounce on or before March 31, 2012 in favour of the subscriber with an effective date of renunciation not later than December 31, 2011, Qualifying Expenditures in an amount equal to the purchase price paid for by the subscriber in respect of such subscriber's Flow-Through Shares. The Corporation covenants that it will deliver to the subscriber within the time period required by the ITA and, in any event, no later than March 31, 2012, a statement setting forth the aggregate amounts of Qualifying Expenditures renounced to the subscriber hereunder;
- (ss) all Qualifying Expenditures to be renounced to the subscribers of the Flow-Through Units pursuant to the applicable Flow-Through Subscription Agreements will be Qualifying Expenditures incurred by the Corporation that, but for the renunciation to such purchasers, the Corporation would be entitled to deduct in computing its income for the purposes of Part I of the ITA;
- (tt) the Corporation is and will maintain its status as a "principal-business corporation" (as defined in subsection 66(15) of the ITA) at all relevant times such that all Qualifying Expenditures required to be renounced under the Flow-Through Subscription Agreements can be validly renounced pursuant to the ITA to subscribers of Flow-Through Units;
- (uu) the Corporation will on a timely basis provide to the subscribers of the Flow-Through Units all such forms and any other documentation required pursuant to the ITA or the Flow-Through Subscription Agreements;

- (vv) the Corporation will not be subject to the provisions of subsection 66(12.67) of the ITA in a manner which impairs its ability to renounce Qualifying Expenditures as described in Section 7(ss) above;
- (ww) in the event that the Corporation does not renounce to the subscribers of the Flow-Through Shares effective on or before December 31, 2011 Qualifying Expenditures in an amount equal to the Commitment Amount, the Corporation shall, in accordance with the provisions of the Flow-Through Subscription Agreements, indemnify each of the purchasers of the Flow-Through Shares as to, and pay in settlement thereof to each such subscriber, an amount equal to the amount of any tax payable under the ITA (or under any corresponding provincial legislation) by each such subscriber as a result of such failure by the Corporation. For greater certainty, the foregoing indemnity shall have no force or effect and the subscriber shall not have any recourse or right of action to the extent that such indemnity, recourse or right of action would otherwise cause the Flow-Through Shares to be “prescribed shares” within the meaning of section 6202.1 of the regulations to the ITA;
- (xx) if the Corporation receives, or becomes entitled to receive, any government assistance which is described in paragraph (a) of the definition of “excluded obligation” in subsection 6202.1(5) of the regulations made under the ITA and the receipt or entitlement to receive such government assistance has or will have the effect of reducing the amount of Qualifying Expenditures validly renounced to the purchaser hereunder to less than the aggregate Commitment Amount, the Corporation shall incur additional CEE so that it may renounce Qualifying Expenditures in an amount not less than the Commitment Amount;
- (yy) the Corporation shall not reduce the amount of Qualifying Expenditures renounced to the subscribers of the Flow-Through Shares pursuant to subsection 66(12.6) and 66(12.66) of the ITA and, in the event the Minister of National Revenue reduces the amount renounced to the subscribers pursuant to subsection 66(12.73) of the ITA, the Corporation will, in accordance with the provisions of the Flow-Through Subscription Agreements, indemnify each subscriber of Flow-Through Shares as to, and pay in settlement thereof to each such subscriber, an amount equal to the amount of any tax payable under the ITA (or under any corresponding provincial legislation) by each such subscriber as a result of such reduction. For greater certainty, the foregoing indemnity shall have no force or effect and the subscriber shall not have any recourse or right of action to the extent that such indemnity, recourse or right of action would otherwise cause the Flow-Through Shares to be “prescribed shares” within the meaning of section 6202.1 of the regulations to the ITA;
- (zz) the Corporation will refrain from entering into transactions or taking deductions which would otherwise reduce its cumulative CEE to an extent that would preclude a renunciation of Qualifying Expenditures under the Flow-Through Subscription Agreements in an amount equal to the Commitment Amount as contemplated by Section 7(ss) above;

- (aaa) the execution and delivery of, and the performance of the terms of, the Flow-Through Subscription Agreements by the Corporation, including the issue of the Flow-Through Units, the incurring of Qualifying Expenditures and the renunciation of Qualifying Expenditures to the subscribers pursuant thereto, does not and will not constitute a breach of or default under the constating documents of the Corporation or any law, regulation, order or ruling applicable to the Corporation or any agreement, contract or indenture to which the Corporation is a party or by which it is bound;
- (bbb) to the Corporation's knowledge, the Corporation has not breached any flow-through share agreement to which it is or was a party and, in particular, the Corporation has not failed, and has no outstanding obligations, to incur and renounce expenses which it covenanted to incur and renounce nor has the Minister of National Revenue or the Corporation reduced pursuant to subsection 66(12.73) of the ITA any amount renounced by the Corporation;
- (ccc) the Corporation has no reason to believe that it will be unable to incur Qualifying Expenditures during the Expenditure Period in an amount at least equal to the Commitment Amount, that it will be unable to renounce to the subscribers of Flow-Through Shares effective on or before December 31, 2011, Qualifying Expenditures in an amount equal to the Commitment Amount, or that any such amount will be reduced by virtue of subsection 66(12.73) of the ITA;
- (ddd) if the Corporation is required under the ITA to reduce Qualifying Expenditures previously renounced to subscribers of Flow-Through Shares, the Corporation shall make such reduction pro rata by number of Flow-Through Shares issued or to be issued pursuant to the Flow-Through Subscription Agreements of even date under this Offering provided that the Corporation shall not reduce Qualifying Expenditures renounced under the Flow-Through Subscription Agreements until it has first reduced to the extent possible expenditures renounced pursuant to flow-through share agreements entered into after the Closing Date;
- (eee) the Corporation shall renounce Qualifying Expenditures with respect to the Flow-Through Subscription Agreements of even date under this Offering *pro rata* by number of Flow-Through Shares issued or to be issued hereto before renouncing expenditures pursuant to any flow-through share agreements entered into by the Corporation after the Closing Date; and
- (fff) the representations and warranties made by the Corporation in the Flow-Through Subscription Agreements are true and correct or will, on the Closing Date, be true and correct.

## **8. Representations and Warranties of the Agents**

Each of the Agents represents and warrants to the Corporation and acknowledges that the Corporation is relying upon such representations and warranties, that:

- (a) in respect of the offer and sale of the Purchased Units and any Additional Units, it will comply with all Canadian Securities Laws; and

- (b) it is a valid and subsisting corporation under the laws of the jurisdiction in which it was incorporated, continued or amalgamated and has the requisite corporate power, authority and capacity to enter into this Agreement and perform its obligations hereunder.

## **9. Covenants of the Corporation**

The Corporation covenants with the Agents that:

- (a) it will advise the Agents, promptly after receiving notice thereof, of the time when the Final Prospectus has been filed and when the receipt in respect thereof has been obtained and will provide evidence satisfactory to the Agents of each filing and the issuance or deemed issuance of receipts from all of the Canadian Securities Regulators; and
- (b) it will advise the Agents, promptly after receiving notice or obtaining knowledge, of (i) the issuance by any Canadian Securities Regulator of any order suspending or preventing the use of the Preliminary Prospectus, the Final Prospectus or any Prospectus Amendment, (ii) the suspension of the qualification of the Offered Securities for distribution or sale in any of the Qualifying Jurisdictions, (iii) the institution or threatening of any proceeding for any of those purposes, or (iv) any requests made by any Canadian Securities Regulator for amending or supplementing the Prospectus, or for additional information, and will use their reasonable best efforts to prevent the issuance of any such order and, if any such order is issued, to obtain the withdrawal of the order promptly.

## **10. Commercial Copies**

The Corporation shall cause commercial copies of the Final Prospectus to be delivered to the Agents without charge, in such quantities and in such cities as the Agents may reasonably request by written or oral instructions to the printer of such documents. Such delivery of the Final Prospectus shall be effected as soon as possible after filing of the Final Prospectus with the Canadian Securities Regulators, but in any event before 5:00 p.m. (Toronto time) on August 12, 2011 (for deliveries in Toronto) and before 5:00 p.m. (Toronto time) on August 15, 2011 (for deliveries in Canada other than in Toronto). Such deliveries shall constitute the consent of the Corporation to the Agents' use of the Final Prospectus for the distribution of the Offered Securities in the Qualifying Jurisdictions in compliance with the provisions of this Agreement and Canadian Securities Laws. The Corporation shall similarly cause to be delivered commercial copies of any Prospectus Amendments.

## **11. Change of Closing Date**

Subject to the termination provisions contained in Section 20, if a material change or a change in a material fact relating to the Corporation or any matter disclosed in the Final Prospectus occurs prior to the Closing Date or the Option Closing Date, if the Over-Allotment Option is exercised, the Closing Date or the Option Closing Date, as applicable, shall be, unless the Corporation and the Agents otherwise agree in writing or unless otherwise required under Canadian Securities Laws, the sixth Business Day following the later of:

- (a) the date on which all applicable filings or other requirements of Canadian Securities Laws with respect to such material change or change in a material fact have been complied with in all Qualifying Jurisdictions and any appropriate receipt(s) obtained for such filings and notice of such filings from the Corporation or its counsel have been received by the Agents; and
- (b) the date upon which the commercial copies of any Prospectus Amendments have been delivered in accordance with Section 10.

## **12. Completion of Distribution**

The Agents shall, and shall cause each Selling Firm to, after the Closing Time:

- (a) use commercially reasonable efforts to complete the distribution of the Offered Securities as promptly as possible; and
- (b) give prompt written notice to the Corporation when, in the opinion of the Agents, they have completed distribution of the Offered Securities, including notice of the total proceeds realized or number of Offered Securities sold in each of the Qualifying Jurisdictions and any other jurisdiction from such distribution.

## **13. Material Change or Change in Material Fact During Distribution**

- (a) During the period from the date of this Agreement to the later of the Closing Date and the date of completion of distribution of the Offered Securities under the Final Prospectus, the Corporation shall promptly notify the Agents in writing of:
  - (i) any of the representations or warranties made by the Corporation in this Agreement being no longer true and correct;
  - (ii) any filing made by the Corporation of information relating to the Offering with any securities exchange or Governmental Authority in Canada or any other jurisdiction;
  - (iii) any material change (actual, anticipated, contemplated or threatened, financial or otherwise) in the business, affairs, operations, assets, liabilities (contingent or otherwise) or capital of the Corporation;
  - (iv) any material fact which has arisen or has been discovered and would have been required to have been stated in the Final Prospectus had the fact arisen or been discovered on, or prior to, the date of such document; and
  - (v) any change in any material fact (which for the purposes of this Agreement shall be deemed to include the disclosure of any previously undisclosed material fact) contained in the Final Prospectus or any Prospectus Amendment which fact or change is, or may be, of such a nature as to render any statement in the Final Prospectus or any Prospectus Amendment misleading or untrue in any material respect or which would result in a material misrepresentation in the Final Prospectus or any Prospectus Amendment or which would result in the Final Prospectus or

any Prospectus Amendment not complying (to the extent that such compliance is required) with Canadian Securities Laws or omitting to state a material fact necessary in order to make the statements made therein, in the light of the circumstances in which they were made, not misleading, in each case, as at any time up to and including the later of the Closing Date and the date of completion of the distribution of the Offered Securities.

- (b) The Corporation shall promptly, and in any event within any applicable time limitation, comply, to the satisfaction of the Agents, acting reasonably, with all applicable filings and other requirements under Canadian Securities Laws as a result of a fact or change referred to in Section 13(a), provided that the Corporation shall not file any Prospectus Amendment or other document without first obtaining from the Agents the approval of the Agents, after consultation with the Agents with respect to the form and content thereof, which approval will not be unreasonably withheld or delayed. The Corporation shall in good faith discuss with the Lead Agent any fact or change in circumstances (actual, anticipated, contemplated or threatened, financial or otherwise) which is of such a nature that there is reasonable doubt whether written notice need be given under this Section 13.

#### **14. Change in Canadian Securities Laws**

If during the period of distribution of the Offered Securities there shall be any change in Canadian Securities Laws which requires the filing of a Prospectus Amendment, the Corporation shall, to the satisfaction of the Agents, acting reasonably, promptly prepare and file such Prospectus Amendment with the appropriate securities regulatory authority in each of the Qualifying Jurisdictions where such filing is required.

#### **15. Services Provided by Agents and Agents' Commission**

In consideration for the Agents' services including but not limited to acting as the Corporation's agents in arranging for the sale of the Purchased Units and the Additional Units, if any, the Corporation agrees to pay to the Agents a cash commission equal to 8.0% of the gross proceeds of the Offering, including the Over-Allotment Option, as applicable, payable on the Closing Date or Option Closing Date, as the case may be. The Corporation shall also pay the Lead Agent the Work Fee and the Corporate Finance Fee payable upon the completion of the Offering. In addition, as additional consideration for the services of the Agents in connection with the Offering, the Corporation shall grant to the Agents at the Closing Time and, if applicable, the Option Closing Time, Agent Warrants (together with the commission payable to the Agents under the preceding sentence, the "**Agents' Commission**") exercisable for a number of Non Flow-Through Units equal to 8% of the total number of Purchased Units sold under the Offering, such Agent Warrants being exercisable at a price of \$0.30 per Non Flow-Through Unit. The Agents' Commission, the Work Fee and the Corporate Finance Fee shall be payable as provided for in Section 16.

#### **16. Delivery of Purchase Price, Agents' Commission and Offered Securities**

The purchase and sale of the Purchased Units and any Additional Units shall be completed at the Closing Time or Option Closing Time, as the case may be, at the offices of Ormston List

Frawley LLP, 40 University Avenue, Suite 720, Toronto, Ontario or at such other place as the Lead Agents and the Corporation may agree upon.

At the Closing Time or the Option Closing Time, as the case may be, the Corporation shall duly and validly deliver: (i) to the Agents one or more definitive certificate(s) representing the Unit Shares, Warrants and Flow-Through Shares registered in the name of "CDS & CO." or in such other name or names as the Lead Agent may have directed the Corporation in writing not less than 48 hours prior to the Closing Time or the Option Closing Time, as the case may be. Alternatively, if requested by the Lead Agent, at the Closing Time or the Option Closing Time, as the case may be, the Corporation shall duly and validly deliver in uncertificated form to the Agents, or in the manner directed by the Agents in writing, the Unit Shares, Warrants and Flow-Through Shares registered in the name of "CDS & CO." or in such other name or names as the Lead Agent may direct the Corporation in writing not less than 48 hours prior to the Closing Time or the Option Closing Time, as the case may be; (ii) to the Agents, the Agents' Commission; and (iii) at the Closing Time, the Work Fee and the Corporate Finance Fee to the Lead Agent.

In either case, delivery by the Corporation of the Purchased Units or the Additional Units, as the case may be, shall be against payment by the Agents to the Corporation of the aggregate purchase price for the Purchased Units or the Additional Units, as the case may be, by wire transfer of immediately available funds together with a receipt signed by the Lead Agent for such Purchased Units or Additional Units, as the case may be, and for receipt of the Agents' Commission, the Work Fee and the Corporate Finance Fee.

#### **17. Delivery of Offered Securities**

The Corporation shall, prior to the Closing Date and the Option Closing Date, make all necessary arrangements for the preparation and delivery (and, in the case of definitive certificates, execution of such definitive certificate(s) representing the Unit Shares, Warrants and Flow-Through Shares) of the Purchased Units or the Additional Units on the Closing Date or the Option Closing Date, as applicable, in the City of Toronto.

The Corporation shall pay all fees and expenses payable to the Corporation's transfer agent in connection with the preparation and delivery (and, in the case of definitive certificates, execution of such definitive certificate(s) representing the Unit Shares, Warrants and the Flow-Through Shares) of the Purchased Units or Additional Units contemplated by this Section 17 and the fees and expenses payable to such transfer agent as may be required in the course of the distribution of the Purchased Units and the Additional Units.

#### **18. Conditions to Agents' Obligation to Distribute**

The Agents' obligations hereunder shall be subject to the representations and warranties of the Corporation contained in this Agreement being accurate as of the date of this Agreement and as of the Closing Date, and to the Corporation having performed all of its obligations under this Agreement and to the following additional conditions; provided that the Corporation shall have no obligation to complete the Offering for an amount less than the Minimum Offering:



(a) **Delivery of Opinions**

- (i) The Agents shall have received at the Closing Time legal opinions dated the Closing Date, in form and substance satisfactory to the Agents, acting reasonably, addressed to the Agents (and, if required for opinion purposes, counsel to the Agents) from: (i) Davies Ward Phillips & Vineberg LLP, special tax counsel to the Corporation, with respect to the opinions described in Sections 18(a)(i)(M), (N) and (U) only; (ii) Ormston List Frawley LLP, counsel to the Corporation, as to the opinions described in the subparagraphs of Section 18(a)(i) other than Sections 18(a)(i)(M), (N) and (U), as to the laws of Ontario and the Federal laws of Canada applicable therein; and (iii) as to the laws of any Qualifying Jurisdiction, other than Ontario, and the Federal laws of Canada applicable therein, an opinion of counsel qualified in that jurisdiction with respect to the opinions described in Sections 18(a)(i)(P), (Q), (R) and (S), which counsel in turn may rely upon, as to matters of fact, certificates of Governmental Authorities and officers of the Corporation and letters from stock exchange representatives and transfer agents, with respect to the following matters:
- (A) as to the existence of the Corporation under the laws of its jurisdiction of incorporation and as to the corporate power and capacity of the Corporation to own and lease property and assets and carry on activities as described in the Prospectus and to execute, deliver and perform its obligations under this Agreement, the Warrant Certificates, the Agent Warrant Certificates and the Flow-Through Subscription Agreements;
  - (B) as to the authorized capital of the Corporation;
  - (C) that all necessary corporate action has been taken by the Corporation to authorize the execution and delivery of each of the Preliminary Prospectus and the Final Prospectus and, if applicable, any Prospectus Amendments and the filing of such documents under Canadian Securities Laws in each of the Qualifying Jurisdictions;
  - (D) that all necessary corporate action has been taken by the Corporation to authorize the execution and delivery of this Agreement, the Warrant Certificates, the Agent Warrant Certificates and the Flow-Through Subscription Agreements and the performance of its obligations under this Agreement, the Agent Certificates, the Agent Warrant Certificates and the Flow-Through Subscription Agreements and to issue and deliver to the Agents the Purchased Units and the Additional Units, if any, and the Agent Warrants;
  - (E) that this Agreement, the Warrant Certificates, the Agent Warrant Certificates and the Flow-Through Subscription Agreements have

been duly executed and delivered by the Corporation and constitute legal, valid and binding obligations of the Corporation and are enforceable against the Corporation in accordance with their terms, subject to customary qualifications for enforceability opinions;

- (F) that the execution and delivery of this Agreement, the Warrant Certificates, the Agent Warrant Certificates and the Flow-Through Subscription Agreements and the performance of the Corporation's obligations under this Agreement, the Warrant Certificates, the Agent Warrant Certificates and the Flow-Through Subscription Agreements do not and will not result in a breach (whether after notice or lapse of time or both) of any of the terms, conditions or provisions of the articles or by-laws of the Corporation or resolutions of the board of directors (or any committee thereof) or the shareholders of the Corporation;
- (G) that the Purchased Units, Additional Units and the Agent Units have been duly authorized;
- (H) that the Unit Shares and Flow-Through Shares forming part of the Purchased Units and the Additional Units have been duly authorized and, upon receipt of payment therefore in accordance with this Agreement, will be validly issued by the Corporation and will be outstanding as fully paid and non-assessable shares of the Corporation;
- (I) that the Underlying Shares have been duly authorized and, upon due exercise of the Warrants, the Agent Warrants and the Warrants issued as a result of the exercise of the Agent Warrants (including payment of the exercise price thereof), as the case may be, will be validly issued as fully paid and non-assessable shares of the Corporation;
- (J) that the Warrants (including for greater certainty Warrants issued as a result of the exercise of Agent Warrants) and the Agent Warrants have been duly authorized;
- (K) that the attributes of the Securities conform in all material respects with the description of those Securities in the Prospectus;
- (L) that the forms of certificate representing the Common Shares and Warrants have been duly approved by the Corporation and comply with the provisions of the articles and by-laws of the Corporation and the requirements of the *Business Corporations Act* (Ontario);
- (M) that the statements under the heading "Eligibility for Investment" in the Prospectus are accurate, subject to the assumptions, qualifications, limitations and restrictions set out in the Prospectus;

- (N) that, subject to the qualifications, assumptions, limitations and restrictions set out in the Prospectus under the heading “Certain Canadian Federal Income Tax Considerations”, the statements contained therein constitute a fair summary of the principal Canadian federal income tax consequences arising under the ITA to persons referred to therein;
- (O) that Equity Financial Trust Company at its principal offices in the City of Toronto has been duly appointed as the transfer agent and registrar for the Common Shares;
- (P) that all documents have been filed, all requisite proceedings have been taken and all legal requirements have been fulfilled by the Corporation to qualify the Offered Securities for distribution and sale to the public in each of the Qualifying Jurisdictions through investment dealers or brokers registered under the applicable laws of the Qualifying Jurisdictions who have complied with the relevant provisions of such applicable laws;
- (Q) that the issuance and delivery by the Corporation of Warrant Shares upon the exercise of the Warrants, including for greater certainty Warrants issued as a result of the exercise of Agent Warrants, are exempt from the prospectus and registration requirements of Canadian Securities Laws, and no other documents are required to be filed, proceedings taken or approvals, consents or authorizations are required to be obtained by the Corporation under Canadian Securities Laws to permit the issuance and delivery by the Corporation of such Warrant Shares upon such exercise;
- (R) that the issuance and delivery by the Corporation of Common Shares and Warrants comprising Agent Units upon the exercise of the Agent Warrants are exempt from the prospectus and registration requirements of Canadian Securities Laws, and no other documents are required to be filed, proceedings taken or approvals, consents or authorizations are required to be obtained by the Corporation under Canadian Securities Laws to permit the issuance and delivery by the Corporation of such Common Shares and Warrants upon such exercise;
- (S) that no prospectus is required nor are any other documents required to be filed, proceedings taken, or approvals, permits, consents or authorizations of regulatory authorities obtained under Canadian Securities Laws to permit a holder of Underlying Shares to trade such Underlying Shares in the Qualifying Jurisdictions, provided that:
  - (1) the trade is not a “control distribution” within the meaning of National Instrument 45-102 – *Resale of Securities*; and

- (2) the Corporation is a reporting issuer at the time of the trade;
  - (T) the Common Shares have been conditionally approved for listing on the TSX-V, subject to the fulfilment of the requirements of such exchange on or before November 8, 2011;
  - (U) as at the time of issuance the Flow-Through Shares are “flow-through shares” as defined in subsection 66(15) and are not “prescribed shares” for the purposes of section 6202.1 of the regulations to the ITA; and
  - (V) as to any other legal matters reasonably requested by the Agents.
- (ii) The Agents shall have received at the Closing Time a legal opinion of Osler, Hoskin & Harcourt LLP, dated the Closing Date, addressed to the Agents with respect to certain of the matters in Section 18(a)(i); provided that counsel to the Agents shall be entitled to rely on the opinions of local counsel as to matters governed by the laws of jurisdictions other than the laws of Canada and Ontario.
  - (iii) The Agents shall have received at the Closing Time a favourable title opinion from special counsel to the Corporation, McMillan LLP, in form and substance satisfactory to the Agents with respect to title to each of the Material Properties.

**(b) Delivery of Comfort Letters**

The Agents shall have received at the Closing Time a letter dated the Closing Date, in form and substance satisfactory to the Agents, addressed to the Agents, the Corporation and the directors of the Corporation from MNP LLP, confirming the continued accuracy of the comfort letters to be delivered to the Agents pursuant to Section 5(a)(iii) with such changes as may be necessary to bring the information in such letters forward to a date not more than two Business Days prior to the Closing Date, provided such changes are acceptable to the Agents, acting reasonably.

**(c) Delivery of Certificates**

- (i) The Agents shall have received at the Closing Time a certificate dated the Closing Date, addressed to the Agents (and, if necessary for opinion purposes, counsel to the Agents) and signed by officers of the Corporation acceptable to the Agents, acting reasonably, with respect to the constating documents and by-laws of the Corporation, the fact that no steps have been taken to wind-up the Corporation, all resolutions of the board of directors of the Corporation relating to this Agreement, the Warrant Certificates, the Agent Warrant Certificates and the Flow-Through Subscription Agreements and the incumbency and specimen signatures of signing officers of the Corporation.

- (ii) The Agents shall have received at the Closing Time a certificate dated the Closing Date, addressed to the Agents (and, if necessary for opinion purposes, counsel to the Agents) and signed on behalf of the Corporation by the Chief Executive Officer and the Chief Financial Officer or other officers of the Corporation acceptable to the Agents, certifying for and on behalf of the Corporation and without personal liability, after having made due enquiry and after having carefully examined the Final Prospectus and any Prospectus Amendments:
  - (A) that since the respective dates as of which information is given in the Final Prospectus, as amended by any Prospectus Amendments, (1) there has been no material change (actual, anticipated, contemplated or threatened, whether financial or otherwise) in the business, affairs, operations, assets, liabilities (contingent or otherwise) or capital of the Corporation, and (2) no transaction has been entered into by the Corporation which is material to the Corporation, other than as disclosed in the Final Prospectus or the Prospectus Amendments, as the case may be;
  - (B) that the Prospectus does not contain any material misrepresentation and contains full, true and plain disclosure of all material facts relating to the Corporation and the securities being offered under the Prospectus (other than any Agents' Information);
  - (C) that no order, ruling or determination having the effect of suspending the sale or ceasing the trading of the Common Shares or any other securities of the Corporation has been issued by any regulatory authority and is continuing in effect and no proceedings for that purpose have been instituted or are pending or, to the knowledge of such officers, contemplated or threatened under any Canadian Securities Laws or by any other regulatory authority;
  - (D) that the Corporation has complied with the terms and conditions of this Agreement on its part to be complied with up to the Closing Time; and
  - (E) that the representations and warranties of the Corporation contained in this Agreement are true and correct as of the Closing Time with the same force and effect as if made at and as of the Closing Time after giving effect to the transactions contemplated by this Agreement.

(d) **Flow-Through Subscription Agreements**

The Corporation shall have accepted the duly and fully completed Flow-Through Subscription Agreements with the subscribers of Flow-Through Shares and, unless the Corporation reasonably believes it would be unlawful or contrary to Canadian Securities Laws to do so, have accepted each duly executed Flow-

Through Subscription Agreement accompanied by the required subscription funds submitted to the Corporation as contemplated by the Offering.

(e) **Certificate of Status**

The Agents shall have received at the Closing Time a certificate of the relevant Governmental Authority confirming the incorporation and continuing valid existence of the Corporation dated within two days of the Closing Date.

(f) **Agent Warrants**

The Agents shall have received at the Closing Time and the Option Closing Time, as applicable, the Agent Warrant Certificates.

(g) **Listing Approval**

The Common Shares shall have been approved for listing and posted for trading on the TSX-V on the Closing Date, subject only to the satisfaction by the Corporation of customary post-closing conditions imposed by the TSX-V in similar circumstances.

(h) **Lock-Up Agreements with Directors and Officers**

The Agents shall have received, prior to the Closing Time, an executed lock-up agreement, substantially in the form of Schedule B, from each of the directors and officers of the Corporation.

(i) **Over-Allotment Closing Documents**

The several obligations of the Agents hereunder with respect to the Over-Allotment Closing are subject to the delivery to the Lead Agent on the Option Closing Date of certificates dated the Option Closing Date substantially similar to the officer's certificates referred to in Section 18(c) and such other customary closing certificates and documents as the Lead Agent may reasonably request with respect to the good standing of the Corporation and other matters related to the sale and issuance of the Additional Units.

**19. Right of First Refusal**

- (a) As further consideration for its services, the Corporation hereby grants, subject only to the fiduciary duties of the Corporation's board of directors, the Lead Agent a right of first refusal ("**ROFR**") to (i) act as the lead member of the agents or underwriting syndicate and so-called sole "book runner" status on any public or private issue of equity or debt securities by the Corporation or any affiliate of the Corporation subsequent to the completion of the Offering for which the Corporation elects to utilize the services of an agent or underwriter, and (ii) act as financial adviser to the Corporation in connection with an Alternative Business Transaction for which the Corporation elects to utilize the services of a financial adviser for a fee to be agreed upon between the Lead Agent and the Corporation based on industry standards for financial advisers prevailing at the time of such

Alternative Business Transaction (in the case of either (i) or (ii), a “**Subsequent Transaction**”).

- (b) In respect of any Subsequent Transaction for which the Lead Agent shall have a ROFR, the Corporation shall provide notice of the ROFR to the Lead Agent and the Lead Agent shall have a period of 14 days to provide notice to the Corporation of the terms on which the Lead Agent will act, which terms will include that the services proposed by the Lead Agent will be provided through a syndicate in which Osprey Capital Partners has the right to comprise at least 10% of such syndicate. In the event the Corporation elects not to engage the Lead Agent on the terms set out in the Lead Agent’s notice, the Corporation shall be free to engage such other person(s) as it sees fit, provided that the terms of such engagement are no less favourable to the Corporation than the terms set out in the Lead Agent’s notice.
- (c) Notwithstanding anything else in this Agreement to the contrary, this Section 19 shall survive until the date that is 12 months from the Closing Date.

## **20. Rights of Termination**

### **(a) Regulatory Proceedings Out**

If, after the date hereof and prior to the Closing Time, any enquiry, action, suit, investigation or other proceeding, whether formal or informal, is instituted or announced or any order is made by any federal, provincial or other Governmental Authority in relation to the Corporation which, in the opinion of any of the Agents, operates to prevent or restrict the distribution or trading of the Offered Securities, then such Agent shall be entitled, at its option and in accordance with Section 20(f), to terminate its obligations under this Agreement by written notice to that effect given to the Corporation at any time at or prior to the Closing Time.

### **(b) Disaster Out**

If, after the date hereof and prior to the Closing Time, there should develop, occur or come into effect or existence any event, action, state, condition or major financial occurrence of national or international consequence or any law or regulation which, in the opinion of any of the Agents, seriously adversely affects, or involves, or will seriously adversely affect, or involve, the financial markets or the business, operations or affairs of the Corporation, then such Agent shall be entitled, at its option and in accordance with Section 20(f), to terminate its obligations under this Agreement by written notice to that effect given to the Corporation at any time at or prior to the Closing Time.

### **(c) Market Out**

If, after the date hereof and prior to the Closing Time, the state of the financial markets in Canada or elsewhere where it is planned to market the Offered Securities is such that, in the reasonable opinion of any of the Agents, the Offered Securities cannot be marketed profitably, then such Agent shall be entitled, at its

option and in accordance with Section 20(f), to terminate its obligations under this Agreement by written notice to that effect given to the Corporation at any time at or prior to the Closing Time.

(d) **Material Change or Change in Material Fact Out**

If, after the date hereof and prior to the Closing Time, there shall occur or there should be announced or discovered any material change or change in a material fact which, in the reasonable opinion of any of the Agents, would result in the purchasers of a material number of Offered Securities exercising their right under applicable Canadian Securities Laws to withdraw from their purchase of Offered Securities, or would be expected to have a significant adverse effect on the market price or value of the Offered Securities, then such Agent shall be entitled, at its option and in accordance with Section 20(f), to terminate its obligations under this Agreement by written notice to that effect given to the Corporation at any time at or prior to the Closing Time.

(e) **Non-Compliance with Conditions**

The Corporation agrees that all conditions in Section 18 shall be construed as conditions and complied with so far as they relate to acts to be performed or caused to be performed by it, that it will use its best efforts to cause such conditions to be complied with, and that any breach or failure by the Corporation to comply with any such conditions shall entitle any of the Agents to terminate its obligations to distribute the Offered Securities by written notice to that effect given to the Corporation at any time at or prior to the Closing Time, unless otherwise expressly provided in this Agreement. Each Agent may waive, in whole or in part, or extend the time for compliance with, any terms and conditions without prejudice to its rights in respect of any other terms and conditions or any other or subsequent breach or non-compliance, provided that any such waiver or extension shall be binding upon an Agent only if such waiver or extension is in writing and signed by the Agent.

(f) **Exercise of Termination Rights**

The rights of termination contained in Sections 20(a), (b), (c), (d) and (e) may be exercised by any of the Agents and are in addition to any other rights or remedies any of the Agents may have in respect of any default, act or failure to act or non-compliance by the Corporation in respect of any of the matters contemplated by this Agreement or otherwise. In the event of any such termination, there shall be no further liability on the part of the Agents to the Corporation or on the part of the Corporation to the Agents except in respect of any liability which may have arisen prior to, or arise after, such termination under Sections 21, 22 and 24. A notice of termination given by an Agent under Section 20(a), (b), (c), (d) or (e) shall not be binding upon any other Agent who has not also executed such notice.



## **21. Indemnity**

### **(a) Rights of Indemnity**

The Corporation agrees to indemnify and save harmless each of the Agents and each of their affiliates, directors, officers, employees and agents from and against all liabilities, claims, losses, costs, damages and expenses (including without limitation any legal fees or other expenses reasonably incurred by such persons in connection with defending or investigating any of the above, which legal fees and other expenses the Corporation shall reimburse such persons for forthwith upon demand), but excluding any loss of profits and other consequential damages, in any way caused by, or arising directly or indirectly from, or in consequence of:

- (i) any information or statement (except any Agents' Information) contained in the Prospectus or any Prospectus Amendment or in any certificate of the Corporation delivered pursuant to this Agreement which at the time and in the light of the circumstances under which it was made contains or is alleged to contain a material misrepresentation or an untrue statement of a material fact;
- (ii) any omission or alleged omission to state in the Prospectus, any Prospectus Amendment or any certificate of the Corporation delivered pursuant to this Agreement, any fact, whether material or not, required to be stated in such document or necessary to make any material statement in such document, in light of the circumstances under which it was made, not misleading;
- (iii) any order made or enquiry, investigation or proceedings commenced or threatened by any securities commission or other competent authority based upon any untrue statement or omission or alleged untrue statement or alleged omission or any misrepresentation or alleged misrepresentation (except any Agents' Information) contained in the Prospectus or any Prospectus Amendments or based upon any failure to comply with Canadian Securities Laws (other than any failure or alleged failure to comply by the Agents), preventing or restricting the trading in or the sale or distribution of the Offered Securities in any of the Qualifying Jurisdictions;
- (iv) the non-compliance or alleged non-compliance by the Corporation with any of the Canadian Securities Laws, including the Corporation's non-compliance with any statutory requirement to make any document available for inspection; or
- (v) any breach by the Corporation of its representations, warranties, covenants or obligations to be complied with under this Agreement.

In no event shall this indemnity enure to the benefit of the Agents if a copy of the appropriate Final Prospectus (as then amended or supplemented, if the Corporation shall have furnished any amendments or supplements thereto) was

not sent or given by or on behalf of the Agents to a person asserting any such losses, claims, damages, costs, expenses or liabilities, if required by law so to have been delivered, at or prior to the written confirmation of the sale of the Offered Securities to such person, and if such Final Prospectus (as so amended or supplemented) would have cured the defect giving rise to such losses, claims, damages, costs, expenses or liabilities.

(b) **Notification of Claims**

If any matter or thing contemplated by Section 21(a) (any such matter or thing being referred to as a “**Claim**”) is asserted against any person or company in respect of which indemnification is or might reasonably be considered to be provided, such person or company (the “**Indemnified Party**”) will notify the Corporation as soon as possible of the nature of such Claim (but the omission to so notify the Corporation of any potential Claim shall not relieve the Corporation from any liability which it may have to any Indemnified Party and any omission to so notify the Corporation of any actual Claim shall affect the Corporation’s liability only to the extent that the Corporation is materially prejudiced by that omission). The Corporation shall assume the defence of any suit brought to enforce such Claim, provided, however, that

- (i) the defence shall be conducted through legal counsel acceptable to the Indemnified Party, acting reasonably, and
- (ii) no settlement of any such Claim or admission of liability may be made by the Corporation without the prior written consent of the Indemnified Party, acting reasonably, unless such settlement includes an unconditional release of the Indemnified Party from all liability arising out of such action or claim and does not include a statement as to or an admission of fault, culpability or failure to act, by or on behalf of any Indemnified Party.

(c) **Right of Indemnity in Favour of Others**

With respect to any Indemnified Party who is not a party to this Agreement, the Agents shall obtain and hold the rights and benefits of this Section 21 in trust for and on behalf of such Indemnified Party.

(d) **Retaining Counsel**

In any such Claim, the Indemnified Party shall have the right to retain other counsel to act on his, her or its behalf, provided that the fees and disbursements of such counsel shall be paid by the Indemnified Party unless:

- (i) the Corporation and the Indemnified Party shall have mutually agreed to the retention of the other counsel;
- (ii) the named parties to any such Claim (including any added third or impleaded party) include both the Indemnified Party and the Corporation and the representation of both parties by the same counsel would be

inappropriate due to the actual or potential differing interests between them; or

- (iii) the Corporation shall not have retained counsel within seven Business Days following receipt by the Corporation of notice of any such Claim from the Indemnified Party.

## **22. Contribution**

### **(a) Rights of Contribution**

In order to provide for a just and equitable contribution in circumstances in which the indemnity provided in Section 21 would otherwise be available in accordance with its terms but is, for any reason, held to be unavailable to or unenforceable by the Agents or enforceable otherwise than in accordance with its terms, the Corporation and the Agents shall contribute to the aggregate amount of all claims, expenses, costs and liabilities and all losses (other than loss of profits) of a nature contemplated by Section 21 in such proportions so that the Agents shall be responsible for the portion represented by the percentage that the aggregate Agents' Commission hereunder bears to the aggregate purchase price of the Purchased Units and the Additional Units being sold by the Corporation and the Corporation shall be responsible for the balance, whether or not they have been sued together or sued separately, provided, however, that:

- (i) the Agents shall not in any event be liable to contribute, in the aggregate, any amounts in excess of the aggregate Agents' Commission actually received by the Agents from the Corporation under this Agreement;
- (ii) each Agent shall not in any event be liable to contribute, individually, any amount in excess of such Agent's portion of the aggregate Agents' Commission actually received from the Corporation under this Agreement; and
- (iii) no party who has been determined by a court of competent jurisdiction in a final judgement to have been negligent or dishonest or to have engaged in any fraud or fraudulent misrepresentation shall be entitled to claim contribution from any person who has not also been determined by a court of competent jurisdiction in a final judgement to have been negligent or dishonest or to have engaged in such fraud or fraudulent misrepresentation.

### **(b) Rights of Contribution in Addition to Other Rights**

The rights to contribution provided in this Section 22 shall be in addition to and not in derogation of any other right to contribution which the Agents may have by statute or otherwise at law. The remedies provided for in this Section 22 are not exclusive and shall not limit any rights or remedies which may otherwise be available to any party at law or in equity.

(c) **Calculation of Contribution**

In the event that the Corporation may be held to be entitled to contribution from the Agents under the provisions of any statute or at law, the Corporation shall be limited to contribution in an amount not exceeding the lesser of:

- (i) the portion of the full amount of the loss or liability giving rise to such contribution for which the Agents are responsible, as determined in Section 22(a); and
- (ii) the amount of the Agents' Commission actually received by the Agents from the Corporation under this Agreement, and an Agent shall in no event be liable to contribute, individually, any amount in excess of such Agent's portion of the aggregate Agents' Commission actually received from the Corporation under this Agreement.

(d) **Notice**

If the Agents have reason to believe that a claim for contribution may arise, they shall give the Corporation notice of such claim in writing, as soon as reasonably possible, but failure to notify the Corporation shall not relieve the Corporation of any obligation which it may have to the Agents under this Section 22.

(e) **Right of Contribution in Favour of Others**

With respect to this Section 22, the Corporation acknowledges and agrees that the Agents are contracting on their own behalf and as agents for their affiliates, directors, officers, employees and agents.

The Agents' respective obligations to contribute pursuant to this Section 22 are several in proportion to the percentages set forth opposite their respective names in Section 23 hereof and not joint.

**23. Severability**

If any provision of this Agreement is determined to be void or unenforceable in whole or in part, it shall be deemed not to affect or impair the validity of any other provision of this Agreement and such void or unenforceable provision shall be severable from this Agreement.

**24. Expenses**

Whether or not the transactions contemplated by this Agreement shall be completed, all expenses of or incidental to the issue, sale and delivery of the Offered Securities and all expenses of or incidental to all other matters in connection with the Offering shall be borne by the Corporation including, without limitation, all fees and disbursements of all legal counsel to the Corporation, all fees and disbursements of the Corporation's accountants and auditors, all expenses related to roadshows and marketing activities, all printing costs incurred in connection with the Offering, including preparation and printing of the Prospectus, Prospectus Amendments, greensheets and certificates, if any, representing the Common Shares and the Warrants, all prospectus filing and other filing fees, all fees and expenses relating to listing the Offered Securities on any exchanges,

all fees and expenses of the Corporation's auditors and roadshow consultants, all transfer agent fees and expenses, all fees and expenses in connection with Additional Units issued and sold by the Corporation, all reasonable out-of-pocket expenses of the Agents incurred in connection with the Offering, including without limitation the reasonable fees, taxes and disbursements of the Agents' counsel (such legal fees of Agents' counsel not to exceed \$200,000, exclusive of taxes and disbursements) and any advertising, printing, courier, telecommunications, data search, presentation, travel and other expenses incurred by the Lead Agent together with all related taxes (including, without limitation, provincial sales taxes and HST).

## **25. Syndication of Agents**

The sale of the Offered Securities in connection with the Offering shall be on a "reasonable best efforts" basis without underwriter liability or obligation and shall be as to the following percentages of the Offered Securities to be sold at that time:

<u>Name of Agent</u>	<u>Syndicate Position</u>
MGI Securities Inc.	70%
Stonecap Securities Inc.	30%

If either of the Agents fails to sell its applicable percentage of the aggregate amount of the Offered Securities at the Closing Time, the other Agent shall have the right, but not the obligation, to sell the Offered Securities which would otherwise have been sold by the Agent which fails to sell.

## **26. Corporation Lock-Up**

During the period beginning on the Closing Date and ending on the date that is 120 days after the Closing Date, other than with respect to the Additional Units, if any, the Corporation shall not, directly or indirectly, without the prior written consent of the Lead Agent, on behalf of the Agents sell, offer to sell, issue, grant any option, warrant or other right for the sale or issuance of, or otherwise lend, transfer, assign or dispose of (including without limitation by making any short sale, engaging in any hedging, monetization or derivative transaction or entering into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Common Shares or other securities of the Corporation or securities convertible into, exchangeable for, or otherwise exercisable into Common Shares or other securities of the Corporation, whether or not cash settled), in a public offering or by way of private placement or otherwise, any Common Shares or other securities of the Corporation or any securities convertible into, exchangeable for, or otherwise exercisable into Common Shares or other securities of the Corporation, or agree to do any of the foregoing or publicly announce any intention to do any of the foregoing, other than:

- (i) rights granted under the Corporation's stock option plan or any other share based compensation arrangement of the Corporation and securities issued upon the exercise of such rights;
- (ii) pursuant to the exercise of any convertible securities, warrants or options outstanding prior to the date of this Agreement; or

- (iii) securities issued in connection with employee incentive plans or share compensation provided to existing or new employees or directors of the Corporation.

## **27. Survival of Representations and Warranties**

The representations, warranties, obligations and agreements of the Corporation contained in this Agreement and in any certificate delivered pursuant to this Agreement or in connection with the purchase and sale of the Offered Securities shall survive the purchase of the Offered Securities and shall continue in full force and effect unaffected by any subsequent disposition of the Offered Securities by the Agents or the termination of the Agents' obligations and shall not be limited or prejudiced by any investigation made by or on behalf of the Agents in connection with the preparation of the Prospectus, any Prospectus Amendments or the distribution of the Offered Securities for a period ending on the later of (i) the third anniversary of the Closing Date; and (ii) the latest date under Canadian Securities Laws relevant to a purchaser (non-residents of Canada being deemed to be resident in the Province of Ontario for such purposes) that a purchaser may be entitled to commence an action or exercise a right of rescission, with respect to a misrepresentation contained in the Final Prospectus or, if applicable, any Prospectus Amendment, provided that all representations, warranties, covenants and agreements of the Corporation and/or the Agents herein contained or contained in documents submitted pursuant to this Agreement and in connection with the transaction of purchase and sale herein contemplated shall survive during the pendency of any action commenced prior to the expiration of such period.

## **28. Time**

Time is of the essence in the performance of the parties' respective obligations under this Agreement.

## **29. Governing Law**

This Agreement shall be governed by and be construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable in the Province of Ontario.

## **30. Notice**

Unless otherwise expressly provided in this Agreement, any notice or other communication to be given under this Agreement (a "**notice**") shall be in writing addressed as follows:

If to the Corporation, addressed and sent to:

Northern Iron Corp.  
409 Granville Street, Suite 1051  
Vancouver, British Columbia V6C 1T2

Attention: Basil Botha  
Facsimile: 604-602-9867  
E-mail: [bbotha@northernironcorp.com](mailto:bbotha@northernironcorp.com)

with a copy to (which shall not constitute notice):

Ormston List Frawley LLP  
40 University Avenue, Suite 720  
Toronto, ON M5J 1T1

Attention: Denis S. Frawley  
Facsimile: 416-594-9690  
E-mail: dfrawley@olflaw.com

If to the Lead Agent, addressed and sent to:

MGI Securities Inc.  
26 Wellington Street East, Suite 300  
Toronto, ON M5E 1S2

Attention: Paul Reid  
Facsimile: 416-864-7359  
E-mail: preid@mgisecurities.com

If to Stonecap Securities Inc., addressed and sent to:

Stonecap Securities Inc.  
181 Bay Street, Suite 900  
P.O. Box 779  
Toronto, ON M5J 2T3

Attention: Rick Vernon  
Facsimile: 416-342-9941  
E-mail: rvernon@stonecapsecurities.com

with a copy to (which shall not constitute notice):

Osler, Hoskin & Harcourt LLP  
One First Canadian Place  
100 King Street West  
Toronto, ON M5X 1B8

Attention: Andrew Powers  
Facsimile: 416-862-6666  
E-mail: apowers@osler.com

or to such other address as any of the parties may designate by giving notice to the others in accordance with this Section 30. Each notice shall be personally delivered to the addressee or sent by fax or e-mail to the addressee. A notice which is personally delivered or delivered by fax or e-mail shall, if delivered prior to 5:00 p.m. (Toronto time) on a Business Day, be deemed to be given and received on that day and, in any other case, be deemed to be given and received on the first Business Day following the day on which it is delivered.

**31. Authority of the Lead Agent**

The Lead Agent is hereby authorized by the other Agent to act on its behalf and the Corporation shall be entitled to and shall act on any notice given in accordance with Section 30 or agreement entered into by or on behalf of the other Agent by the Lead Agent. The Lead Agent represents and warrants that it has irrevocable authority to bind the Agents, except in respect of any consent to a settlement pursuant to Section 21(b), which consent shall be given by the Indemnified Party, a notice of termination pursuant to Section 20, which notice may be given by any Agent, or any waiver pursuant to Section 20(e), which waiver must be signed by all of the Agents. The Lead Agent shall consult with the other Agent concerning any matter in respect of which it acts as representative of the Agents.

**32. Entire Agreement**

This Agreement constitutes the entire agreement among the parties relating to the subject matter hereof and supersedes all prior agreements between the parties hereto with respect to their respective rights and obligations in respect of the Offering, including for certainty, the engagement letter dated April 18, 2011 between the Corporation and the Lead Agent.

**33. Counterparts**

This Agreement may be executed by the parties to this Agreement in counterpart and may be executed and delivered by facsimile and all such counterparts and facsimiles shall together constitute one and the same agreement.

*[The remainder of this page has been left blank intentionally.]*



If the foregoing is in accordance with your understanding and is agreed to by you, please signify your acceptance by executing the enclosed copies of this letter where indicated below and returning the same to the Lead Agent upon which this letter as so accepted shall constitute an Agreement among us.

Yours very truly,

**MGI SECURITIES INC.**

By: “Mark Arthur”

Mark Arthur

Chief Executive Officer

**STONECAP SECURITIES INC.**

By: “Rickard Vernon”

Rickard Vernon

Managing Director

The foregoing offer is accepted and agreed to as of the date first above written.

**NORTHERN IRON CORP.**

By: *"Basil Botha"*

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Basil Botha

President and Chief Executive Officer

**SCHEDULE A  
FORM OF FLOW-THROUGH SUBSCRIPTION AGREEMENT**

**THESE SECURITIES WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED, AND WILL NOT BE OFFERED FOR SALE IN THE UNITED STATES OR TO A U.S. PERSON, AS SUCH TERMS ARE DEFINED BY REGULATIONS UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED.**

**FLOW-THROUGH UNIT SUBSCRIPTION AGREEMENT**

**THIS AGREEMENT** dated \_\_\_\_\_, 2011.

**AMONG:**

**THE PERSONS LISTED AS PURCHASERS IN APPENDIX I TO THIS AGREEMENT (the "Purchasers"),**

**AND**

**NORTHERN IRON CORP. (the "Corporation"),**

**AND**

**• (the "Agent").**

**WHEREAS** the Corporation has agreed to issue flow-through units (the "**Flow-Through Units**") comprised of one common share which will be a "flow-through share" as defined in subsection 66(15) of the *Income Tax Act* (Canada) and one-half of one common share purchase warrant;

**WHEREAS** each of the Purchasers has agreed to purchase from the Corporation, and the Corporation has agreed to sell to each of the Purchasers, the number of Flow-Through Units set forth across from the Purchaser's name on Appendix I to this Agreement;

**THEREFORE**, upon payment for the Flow-Through Units by the Purchasers, and execution of this Agreement by •, as agent for the Purchasers, and the Corporation, the Purchasers and the Corporation hereby irrevocably agree to be bound by the terms and conditions set forth in Appendix II to this Agreement with respect to the Flow-Through Units.

**EXECUTED by •, as agent for the Purchasers, this \_\_\_\_ day of \_\_\_\_\_, 2011.**

•

Per: \_\_\_\_\_  
*Authorized Signatory*

**EXECUTED by the Corporation, this \_\_\_\_\_ day of \_\_\_\_\_, 2011.**

**NORTHERN IRON CORP.**

Per: \_\_\_\_\_  
*Authorized Signatory*

**APPENDIX I TO FLOW-THROUGH UNIT SUBSCRIPTION AGREEMENT**

<b>Name of Purchaser</b>	<b>Address and Telephone Number of Purchaser</b>	<b>Social Insurance Number or Business Identification Number</b>	<b>Number of Flow-Through Units Purchased</b>	<b>Aggregate Value of Flow-Through Units</b>

## APPENDIX II TO FLOW-THROUGH UNIT SUBSCRIPTION AGREEMENT

### TERMS AND CONDITIONS OF FLOW-THROUGH UNITS WHEREAS:

A. The Corporation has certain interests in mineral resource properties situated in Canada (collectively, the “**Property**”);

B. The Corporation is a “**principal-business corporation**” as that phrase is defined in subsection 66(15) of the *Income Tax Act* (Canada), (together with any and all regulations promulgated thereunder, as amended from time to time, the “**Tax Act**”);

C. It is the intention of the Corporation to carry out an exploration program on the Property for the purpose of determining the existence, location, extent and quality of the mineral resources located thereon (the “**Exploration Program**”);

D. The expenses incurred in performing the Exploration Program will qualify as “**Canadian exploration expense**” or “**CEE**” as described in paragraph (f) of the definition of “Canadian exploration expense” in subsection 66.1(6) of the Tax Act or that would be described in paragraph (h) of such definition if the reference therein to “paragraphs (a) to (d) and (f) to (g.1)” were a reference to “paragraph (f)”, excluding expenses that are “Canadian exploration and development overhead expenses” (as defined in the regulations to the Tax Act for purposes of paragraph 66(12.6)(b) of the Tax Act) of the Corporation or amounts which constitute specified expenses for seismic data described in paragraph 66(12.6)(b.1) of the Tax Act or any expenses for prepaid services or rent that do not qualify as outlays and expenses for the period as described in the definition of “expense” in subsection 66(15);

E. Certain persons (each individually, a “**Purchaser**”) have agreed to purchase Flow-Through Units (as defined below), each such Flow-Through Unit being comprised of one Flow-Through Share (as defined below) and one-half of one Warrant (as defined below), at a purchase price of \$0.33 per Flow-Through Unit, in accordance with the terms of this Agreement; and

F. The Corporation has agreed to renounce Qualifying Expenditures (as defined below) associated with the Flow Through Net Funds (as defined below) to the Purchaser in accordance with the terms of this Appendix.

1. **Definitions.** In this Appendix, including the recitals above, the following words have the following meanings unless otherwise indicated:

- (a) “**Agency Agreement**” means the agency agreement entered into by the Corporation and the Agents, *inter alia*, dated August 11, 2011;
- (b) “**Agent**” means •;
- (c) “**Agents**” means MGI Securities Inc. and Stonecap Securities Inc., together;
- (d) “**Agreement**” means the Subscription Agreement among the Corporation, the Purchasers and the Agent pursuant to which the Purchasers irrevocably agreed to be bound by the terms and conditions set forth in the Subscription Agreement, including this Appendix;
- (e) “**Appendix**” means this Appendix II – “Terms and Conditions of Flow-Through Units”;
- (f) “**Canadian exploration expense**” or “**CEE**” has the meaning set forth in recital D above;

- (g) “**Closing**” means the completion of the sale and purchase of the Flow-Through Units;
- (h) “**Closing Date**” means August 18, 2011 or such other date as the Corporation and the Agents may agree;
- (i) “**Corporation**” means Northern Iron Corp.;
- (j) “**CRA**” means the Canada Revenue Agency;
- (k) “**Expenditure Period**” means the period commencing on the date of acceptance of this Subscription Agreement and ending on the earlier of:
  - (i) the date on which the Flow Through Net Funds have been fully expended in accordance with the terms hereof; and
  - (ii) December 31, 2012;
- (l) “**Exploration Program**” has the meaning set forth in recital C above;
- (m) “**Flow Through Gross Funds**” has the meaning set out in paragraph 3 below under the heading “Flow-Through Units and Allocation of Purchase Price”;
- (n) “**Flow Through Net Funds**” means the aggregate purchase price received by the Corporation from a Purchaser of Flow-Through Units pursuant to this Agreement that is allocated, pursuant to paragraph 3 below under the heading “Flow-Through Units and Allocation of Purchase Price”, to the Flow-Through Shares comprising such Flow-Through Units;
- (o) “**Flow-Through Shares**” means the previously unissued common shares of the Corporation each of which constitute a “flow-through share” as defined in subsection 66(15) of the Tax Act;
- (p) “**Flow-Through Units**” means the flow-through units of the Corporation offered pursuant to the Prospectus comprised of one Flow-Through Share and one-half of one Warrant;
- (q) “**Non Flow-Through Units**” means the non flow-through units of the Corporation offered pursuant to the Prospectus comprised of one common share in the capital of the Corporation and one Warrant;
- (r) “**principal business corporation**” has the meaning set forth in recital B above;
- (s) “**Property**” has the meaning set forth in recital A above;
- (t) “**Proposed Amendments**” means all specific proposals to amend the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date of the Prospectus;
- (u) “**Prospectus**” means the prospectus dated August 11, 2011, relating to the distribution of the Flow-Through Units;
- (v) “**Purchaser**” has the meaning set forth in recital E above;

- (w) “**Qualifying Expenditures**” means expenses that are CEE at the date they are incurred to the extent permitted to be renounced by the Corporation to the Purchaser hereunder and in accordance with subsection 66(12.6) and 66(12.66) of the Tax Act;
- (x) “**Tax Act**” has the meaning set forth in recital B above; and
- (y) “**Warrant**” means a purchase warrant entitling the holder of each whole warrant to acquire one common share in the capital of the Corporation at an exercise price of \$0.50 until the date that is 24 months from the Closing Date.

2. **Subscription.** The Purchasers listed in Appendix I hereby irrevocably subscribe for that number of Flow-Through Units set forth opposite their name for a subscription price of \$0.33 per Flow-Through Unit on the terms and conditions set out herein.

3. **Flow-Through Units and Allocation of Purchase Price.** Following receipt by the Corporation of the aggregate purchase price for the Flow-Through Units of \$0.33 per Flow-Through Unit (the “**Flow Through Gross Funds**”) from the Purchaser and on acceptance of this Agreement by the Corporation, the Corporation will issue to the Purchaser the number of Flow-Through Units subscribed and paid for by the Purchaser. The Corporation and the Purchaser agree that \$0.32995 of the purchase price per Flow-Through Unit is payment for the Flow-Through Share comprised therein and \$0.00005 of the purchase price per Flow-Through Unit is payment for the one-half of one Warrant comprised therein.

4. **Additional Purchasers to Participate in the Program.** The Purchaser acknowledges that the Flow-Through Units subscribed for hereunder form part of a larger issuance and sale by the Corporation of a combination of Flow-Through Units and Non Flow-Through Units of the Corporation subject to a minimum aggregate offering of \$5,000,000 and a maximum aggregate offering of \$12,500,000.

5. **Accrued Interest on Funds.** The Purchaser acknowledges that any interest accruing on Flow Through Gross Funds will accrue to the sole benefit of the Corporation and may be applied by the Corporation for general corporate purposes.

6. **Corporation to Incur Qualifying Expenditures.** The Corporation will incur, during the Expenditure Period, Qualifying Expenditures in an amount not less than the Flow-Through Net Funds.

7. **Corporation to Renounce Qualifying Expenditures in Favour of Purchaser.**

- (a) The Corporation will, within the times set out below and in accordance with the provisions of subsections 66(12.6) and 66(12.66) of the Tax Act, take all necessary steps to renounce in favour of the Purchaser with an effective date of renunciation not later than December 31, 2011, Qualifying Expenditures in the amount of the Flow Through Net Funds. The Corporation covenants that it will deliver to the Purchaser within the time period required by the Tax Act and, in any event, no later than March 31, 2012, a statement setting forth the aggregate amounts of Qualifying Expenditures renounced to the Purchaser hereunder.
- (b) The Corporation shall renounce to the purchasers of the Flow-Through Shares for Canadian federal income tax purposes an amount of Qualifying Expenditures equal to the aggregate issue price of the Flow-Through Shares so that purchasers will be entitled to claim for the 2011 taxation year a 100% deduction of the Flow-Through Net Funds.

8. **Indemnity.** The aggregate Qualifying Expenditures renounced to the Purchaser will not be less than nor exceed the aggregate consideration paid by the Purchaser for Flow-Through Shares. If the Corporation does not renounce to the Purchaser, effective on or before December 31, 2011, Qualifying



Expenditures equal to the amount of the Flow Through Net Funds, the Corporation shall, as the sole recourse to the Purchaser, indemnify and hold harmless the Purchaser, as to, and pay in settlement thereof to the Purchaser on or before the first business day following March 31, 2012, an amount equal to the amount of any tax payable under the Tax Act (and under any corresponding provincial legislation) by the Purchaser as a consequence of such failure. If there is a reduction pursuant to subsection 66(12.73) of the Tax Act of an amount renounced to the Purchaser, the Corporation shall, as the sole recourse to the Purchaser, indemnify the Purchaser as to, and pay to the Purchaser, an amount equal to the amount of any tax payable under the Tax Act (and under any corresponding provincial legislation) by the Purchaser as a consequence of such reduction. For certainty, the foregoing indemnity shall have no force or effect and the Purchaser shall not have any recourse or rights of action to the extent that such indemnity, recourse or rights of action would otherwise cause the Flow-Through Shares to be “prescribed shares” within the meaning of section 6202.1 of the regulations to the Tax Act or the Proposed Amendments.

9. **Corporation to File Prescribed Form in Respect of Renunciations with the CRA.** The Corporation will file, in respect of each renunciation made pursuant to this Agreement, before the last day of the month following the date of making such renunciation, such information returns with the CRA as are prescribed by subsection 66(12.7) of the Tax Act.

10. **Corporation to File Copy of Agreement with CRA.** The Corporation will file, together with a copy of the Agreement, the prescribed form referred to in subsection 66(12.68) of the Tax Act with the CRA within the time period required by the Tax Act.

11. **Corporation to File Part XII.6 Return with the CRA.** The Corporation will file with the CRA any return required to be filed under Part XII.6 of the Tax Act within the time period required by the Tax Act.

12. **Warranties.** The Purchaser acknowledges, represents, warrants and covenants to and with the Corporation that, as at Closing:

- (a) the Purchaser or beneficial purchaser, as the case may be, and in the case where the Purchaser is a partnership, each member of the partnership, deals and, at all relevant times, will continue to deal at arm’s length with the Corporation, for purposes of the Tax Act, until January 1, 2013;
- (b) the Purchaser or beneficial purchaser, as the case may be, if an individual, is of the full age of majority and otherwise legally competent to enter into this Agreement;
- (c) if the Purchaser or beneficial purchaser, as the case may be, is a corporation, trust or partnership, it does not have and will not have in respect of a renunciation of Qualifying Expenditures hereunder a “prohibited relationship” with the Corporation within the meaning of subsection 66(12.671) of the Tax Act;
- (d) neither the Purchaser, nor the beneficial purchaser, as the case may be, has or will knowingly enter into any agreement or arrangement to which the Corporation is not a party which will cause the Flow-Through Shares to be or become “prescribed shares” or “prescribed rights” within the meaning of section 6202.1 of regulations to the Tax Act or the Proposed Amendments;
- (e) neither the Purchaser nor any beneficial purchaser, as the case may be, is a non-resident of Canada for the purposes of the Tax Act and, in the case where the Purchaser is a partnership, is a “Canadian Partnership” within the meaning thereof under the Tax Act;

- (f) the Purchaser, or beneficial purchaser, as the case may be, is not, and is not acting for the account or benefit of any person that is, in the United States or a “U.S. person” as such term is defined in Regulation S under the *United States Securities Act of 1933*, as amended;
- (g) other than as provided herein, the Purchaser or beneficial purchaser, as the case may be, waives any right that it may have to any potential incentive grants, credits and similar or like payments or benefits which arise or result from the operations relating to CEE and the Purchaser or beneficial purchaser, as the case may be, acknowledges that all such grants, credits, payments or benefits accrue to the benefit of the Corporation; and
- (h) the Purchaser or beneficial purchaser, as the case may be, has received and reviewed a copy of the Prospectus;

and the Purchaser agrees that the above acknowledgements, representations, warranties and covenants in this subsection will be true and correct both as of the date of the Purchaser’s execution of the Agreement and as of Closing.

12.2 The Corporation represents, warrants and covenants that, at Closing:

- (a) the Corporation has the full corporate right, power and authority to enter into this Agreement, to issue the Flow-Through Shares and to incur and renounce to the Purchaser Qualifying Expenditures in an amount equal to the aggregate purchase price of the Flow-Through Shares subscribed and paid for by the Purchaser pursuant to this Agreement;
- (b) on the date of Closing, the Corporation will have taken all corporate steps and proceedings necessary to approve the transactions contemplated hereby, including the execution and delivery of this Subscription Agreement;
- (c) this Subscription Agreement constitutes a binding obligation of the Corporation enforceable in accordance with its terms;
- (d) the Corporation is, and at all material times will remain, a “principal-business corporation”;
- (e) except as a result of any agreement to which the Corporation is not a party and of which it has no knowledge, upon issuance pursuant to the provisions hereof, the Flow-Through Shares will qualify as “flow-through shares” as defined in subsection 66(15) of the Tax Act and in particular will not be “prescribed shares” or “prescribed rights” as defined in section 6202.1 of the regulations to the Tax Act and the Proposed Amendments;
- (f) the Corporation will on or before December 31, 2012 incur Qualifying Expenditures in an amount not less than the Flow Through Net Funds and renounce that amount to the Purchaser effective on or before December 31, 2011;
- (g) the incurring and renouncing of Qualifying Expenditures to the Purchaser pursuant hereto, does not and will not constitute a breach of or default under the constating documents of the Corporation or any law, regulation, order or ruling applicable to the Corporation or any agreement, contract or indenture to which the Corporation is a party or by which it is bound;

- (h) the Corporation has no reason to believe that it will be unable to incur during the Expenditure Period the requisite amount of Qualifying Expenditures or to expect any reduction of Qualifying Expenditures by virtue of subsection 66(12.73) of the Tax Act;
- (i) the Corporation will not be subject to the provisions of subsection 66(12.67) of the Tax Act in a manner which impairs its ability to renounce Qualifying Expenditures to the Purchaser in an amount equal to the Flow Through Net Funds;
- (j) if the Corporation receives, or becomes entitled to receive, any government assistance which is described in paragraph (a) of the definition of "excluded obligation" in subsection 6202.1(5) of the regulations made under the Tax Act and the receipt or entitlement to receive such government assistance has or will have the effect of reducing the amount of Qualifying Expenditures validly renounced to the Purchaser hereunder to less than the aggregate of the Flow Through Net Funds, the Corporation shall incur additional CEE so that it may renounce Qualifying Expenditures in an amount not less than the Flow Through Net Funds;
- (k) the Corporation, to the best of its knowledge, has not breached any flow-through share agreement to which it is or was a party nor failed to, or have outstanding obligations to, incur or renounce any amount it had undertaken to incur or renounce to subscribers for flow-through shares;
- (l) all Qualifying Expenditures renounced to the Purchaser pursuant to this Agreement will be Qualifying Expenditures incurred by the Corporation that, but for the renunciation to the Purchaser, the Corporation would be entitled to deduct in computing its income for the purposes of Part I of the Tax Act; and
- (m) if the Corporation amalgamates with any one or more companies prior to January 1, 2013, any shares issued as a replacement for the Flow-Through Shares as a result of such amalgamation will qualify, by virtue of subsection 87(4.4) of the Tax Act and any Proposed Amendments thereto, as "flow-through shares" as described in subsection 66(15) of the Tax Act and in particular will not be "prescribed shares" or "prescribed rights" as defined in section 6202.1 of the regulations to the Tax Act and the Proposed Amendments.

and the Corporation agrees that the above representations, warranties and covenants in this subsection will be true and correct as of Closing.

12.3 In addition to the foregoing, the Corporation specifically acknowledges and agrees that the Purchaser will have the benefit of each of the representations, warranties and covenants given by the Corporation in the Agency Agreement and further agrees that all such representations, warranties and covenants will be deemed to be wholly incorporated herein as if they were reproduced in their entirety, with such changes as are necessary in order to reflect that such representations, warranties and covenants are being made by the Corporation to the Purchaser.

12.4 The Corporation agrees to promptly provide the Purchaser with a copy of any and all forms filed by the Corporation with the CRA relating to such Purchaser.

12.5 The Agent hereby represents and warrants that it has the full corporate right, power and authority to enter into this Agreement as agent for the Purchasers who have appointed it as their agent.

13. **No Renunciation to Third Parties, and Allocation of Renounced Amounts.** The Corporation shall renounce Qualifying Expenditures with respect to Flow-Through Shares issued pursuant to this

Agreement and all other flow-through share agreements of even date with this Agreement pro rata by the number of Flow-Through Shares issued or to be issued pursuant thereto before renouncing expenditures pursuant to any flow-through share agreements entered into by the Corporation after the Closing Date. The Corporation further covenants that if it is required under the Tax Act to reduce Qualifying Expenditures previously renounced to the Purchaser, the Corporation shall make such reduction pro rata by number of Flow-Through Shares issued or to be issued pursuant to the flow-through share agreements of even date with this Agreement, provided that the Corporation shall not reduce Qualifying Expenditures renounced under this Agreement until it has first reduced to the extent possible expenditures renounced pursuant to flow-through share agreements entered into by the Corporation after the Closing Date.

14. **Corporation not to Claim a Deduction in Respect of the Resource Expenditures.** The Corporation acknowledges that it has no right to claim any deduction for Qualifying Expenditures renounced to the Purchaser under this Agreement, or depletion of any sort in respect of the Qualifying Expenditures renounced to the Purchaser under this Agreement, and covenants not to claim any such deduction when preparing its tax returns from time to time. The Corporation will maintain all records necessary to substantiate the Qualifying Expenditures and their renunciation to the Purchaser pursuant to this Agreement.

15. **Corporation to Maintain Records.** The Corporation will maintain proper accounting books and records relating to the Qualifying Expenditures and in the event the CRA proposes to deny the deduction of Qualifying Expenditures renounced to the Purchaser hereunder and upon reasonable notice and on a reasonable basis, to make such books, records and accounts available to the Purchaser for inspection and review by or on behalf of the Purchaser at the Purchaser's expense for the sole purpose of responding to the demand or proposal of the CRA.

16. **No Dissemination of Confidential Information.** Subject to paragraph 15, the Corporation will be entitled to hold confidential all exploration information relating to any program on which any portion of the Flow-Through Gross Funds is expended pursuant to this Agreement and it will not be obligated to make such information available to the Purchaser except in the manner and at such time as it makes any such information available to its shareholders or to the public pursuant to the rules and policies of any stock exchange or laws, regulations or policies of any province.

17. **Revision of the Exploration Program.** While it is the present intention of the Corporation to undertake the Exploration Program, it is the nature of mining exploration that data and information acquired during the conduct of a resource development program may alter the initially proposed Exploration Program and the Corporation expressly reserves the right to alter the Exploration Program on the advice of its technical staff or consultants and further reserves the right to substitute other resource programs on which to expend part of the Flow Through Net Funds, provided such programs entail the incurrence of Qualifying Expenditures that are capable of renunciation by the Corporation to the Purchaser pursuant to this Agreement.

18. **Miscellaneous.** The Purchaser hereby irrevocably authorizes the Agent, in its sole discretion:

- (a) to act as the Purchaser's representative at Closing, to tender this Agreement for acceptance by the Corporation together with the aggregate subscription price of the Flow-Through Units subscribed for hereby and to receive certificates for Flow-Through Shares and Warrants subscribed for and to execute in his, her or its name and on his, her or its behalf all closing receipts and documents required;
- (b) to approve any related documents and any opinions, certificates or other documents addressed to the Purchaser; and

- (c) to waive, in whole or in part, or extend the time for compliance with, any representations, warranties, covenants or conditions for the benefit of the Purchaser contained herein or in any agreement, including the Agency Agreement or document ancillary or related thereto.

19. The representations, warranties and covenants of the Purchasers and the Corporation contained herein shall survive the closing of the transaction contemplated hereby.

20. The division of this Agreement into paragraphs and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement. The terms “hereof”, “hereunder” and similar expressions refer to this Agreement and not to any particular paragraph or any portion hereof and include any agreement supplemental hereto. Unless something in the subject matter or context is inconsistent therewith, references hereinto paragraphs and subparagraphs are to paragraphs and subparagraphs of this Agreement.

21. In this Agreement words importing the singular number only include the plural and vice versa, words importing any gender include all genders and words importing persons include individuals, partnerships, associations, trusts, unincorporated associations and corporations.

22. Each of the parties hereto will from time to time execute and deliver all such further documents and instruments and do all acts and things as the other party may, either before or after the closing of the transactions contemplated hereby, reasonably require to effectively carry out or better evidence or perfect the full intent and meaning of this Agreement.

23. No amendment to this Agreement will be valid or binding unless set forth in writing and duly executed by the parties hereto. Except as contemplated hereby and as permitted by the Agency Agreement, no waiver of any breach of any provision of this Agreement will be effective or binding unless made in writing and signed by the party purporting to give the same and, unless otherwise provided, will be limited to the specific breach waived.

24. This Agreement enures to the benefit of and is binding upon the parties hereto and their successors and permitted assigns. This Agreement is not assignable or transferable by any party without the express written consent of the other parties hereto.

25. Except as contemplated hereby with respect to the Agency Agreement, this Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and cancels and supercedes any prior understandings and agreements between the parties with respect thereto. There are no representations, warranties, terms, conditions, undertakings or collateral agreements, expressed, implied or statutory, between the parties hereto other than as expressly set forth in this Agreement and contemplated hereby with respect to the Agency Agreement.

26. A party to this Agreement will give all notices to or other written communications with the other party to this Agreement concerning this Agreement by hand or by registered mail addressed to such party, in the case of each of the Corporation and the Agent, on behalf of the Purchaser, at the address given on the face page of this Agreement.

27. This Agreement will be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein. The Corporation, the Agent and the Purchaser hereby submit to the non-exclusive jurisdiction of the courts of the Province of Ontario.

28. Time is of the essence of this Agreement.

29. All references to currency herein are to lawful money of Canada.

30. Appendix I attached hereto is incorporated by reference and deemed to be part hereof.

**SCHEDULE B  
FORM OF LOCK-UP AGREEMENT**

\_\_\_\_\_, 2011

MGI Securities Inc.  
on behalf of the Agents  
named in the within-mentioned  
Agency Agreement

c/o MGI Securities Inc.  
26 Wellington Street East, Suite 300  
Toronto, ON M5E 1S2

- and -

Northern Iron Corp.  
409 Granville Street, Suite 1051  
Vancouver, British Columbia V6C 1T2

Ladies and Gentlemen:

The undersigned director, officer or principal shareholder of Northern Iron Corp. (the “**Company**”), understands that an agency agreement (“**Agency Agreement**”) has been executed and delivered by the Company and MGI Securities Inc. (“**MGI**”) and Stonecap Securities Inc. (collectively, the “**Agents**”), whereby the Agents agreed to offer flow-through units and non flow-through units of the Company for sale on a best efforts basis (the “**Offering**”). The execution and delivery by the undersigned of this agreement (“**Lock-Up Letter Agreement**”) is a condition to the closing of the Offering.

In consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the undersigned hereby agrees not to, directly or indirectly, offer, sell, contract to sell, lend, swap or enter into any other agreement to transfer the economic consequences of, other otherwise dispose of or deal with, or publicly announce any intention to offer, sell, contract to sell, grant or sell any option to purchase, hypothecate, pledge, transfer, assign, purchase any option to contract to sell, lend, swap or enter into any other agreement to transfer the economic consequences of, or otherwise dispose of or deal with, whether through the facilities of a stock exchange, by private placement or otherwise, any securities of the Company held by the undersigned, directly or indirectly (the “**Locked-Up Securities**”), without, in each case, the prior written consent of MGI, on behalf of the Agents, which will not be unreasonably withheld or delayed, until 120 days after the date of the closing of the Offering (the “**Lock-Up Period**”).

Notwithstanding anything to the contrary contained in this Lock-Up Letter Agreement, during the Lock-Up Period, the undersigned may, without the consent of MGI: (i) transfer, sell or tender any or all of the Locked-Up Securities pursuant to a take-over bid (as defined in the *Securities Act* (Ontario)) or any other transaction, including, without limitation, a merger, arrangement or amalgamation, involving a change of control of the Company (provided that all Locked-Up

Securities not transferred, sold or tendered remain subject to this undertaking) and provided further that it shall be a condition of transfer that if such take-over bid or other transaction is not completed, any Locked-Up Securities subject to this undertaking shall remain subject to the restrictions in this Lock-Up Letter Agreement; (ii) transfer any or all of the Locked-Up Securities to any nominee or custodian where there is no change in beneficial ownership; or (iii) any transfer or sale made pursuant to a court order involuntarily imposed on the undersigned.

The undersigned hereby represents and warrants that the undersigned has full power and authority to enter into this Lock-up Letter Agreement and that, upon the reasonable request of the Agents, the undersigned will execute any additional documents necessary or desirable in connection with the enforcement of this Lock-Up Letter Agreement. This Lock-Up Letter Agreement is irrevocable and shall be binding upon the heirs, legal representatives, successors and assigns of the undersigned.

This Lock-Up Letter Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable in the Province of Ontario, without reference to conflicts of laws.

This Lock-Up Letter Agreement constitutes the entire agreement and understanding between and among the parties with respect to the subject matter of this Lock-Up Letter Agreement and supersedes any prior agreement, representation or understanding with respect to such subject matter.

This Lock-up Letter Agreement has been entered into on the date first written above.

Yours very truly,

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