

THIS AGREEMENT dated for reference the 29th day of April, A.D. 2010.

BETWEEN:

**1177129 ALBERTA LTD.**, a company duly incorporated under the laws of the Province of Alberta, and having its offices located at 609 - 475 Howe Street, in the City of Vancouver, Province of British Columbia V6C 2B3;

(hereinafter referred to as the **AOptionor**)

OF THE FIRST PART

AND:

**ZADAR VENTURES LTD.**, a company duly incorporated under the laws of the Province of British Columbia, and having its registered office located at 430 – 580 Hornby 609 – 475 Howe Street, in the City of Vancouver, Province of British Columbia, V6C 3B6;

(hereinafter referred to as the **AOptionee**)

OF THE SECOND PART

WHEREAS the Optionor has a 100% interest in certain mineral interests located in the Province of Alberta (the **AProperty**) as described in Schedule **AA** attached hereto.

AND WHEREAS the Optionor wishes to grant to the Optionee the exclusive and irrevocable option to acquire, free of any liens, charges and encumbrances or adverse claims whatsoever, save and except as described herein up to a 75% interest in its right, title and interest in the Property.

AND WHEREAS the Optionee wishes to acquire an interest in the Property on the terms hereinafter provided.

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the payments and the premises, the mutual covenants and agreements herein contained, the parties hereto have agreed and do hereby agree as follows:

**REPRESENTATIONS AND WARRANTIES OF THE OPTIONOR**

- 1.01 The Optionor represents and warrants to the Optionee that:
- (a) to the best of its knowledge and belief, there are no adverse claims or challenges against or to the ownership or title to the Property by any other party, or to its knowledge is there any basis therefore, and there are no outstanding agreements affecting the Property or any portion thereof;
  - (b) the Optionor has a right to enter into this Agreement;
  - (c) it has been duly incorporated and validly exists as a corporation in good standing under the laws of Nevada;
  - (d) it has duly obtained all corporate authorizations for the execution of this Agreement and for the performance of this Agreement by it, and the consummation of the transaction herein contemplated will not conflict with or result in any breach of any covenants or agreements contained in, or constitute a default under, or result in the creation of any encumbrance under the provisions of the constating documents of the Optionor or any shareholders or directors resolution, indenture, agreement or other instrument whatsoever to which the Optionor is a party or by which it is bound;
  - (e) no proceedings are pending for and the Optionor is unaware of any basis for the institution of any proceedings leading to its dissolution or winding-up or placing it in bankruptcy or subject to any other laws governing the affairs of insolvent companies;

- (f) entering into this Agreement does not conflict with any applicable law by which it is bound.

1.02 The representations and warranties of the Optionor herein before set out form a part of this Agreement and are conditions upon which the Optionee has relied in entering into this Agreement and shall survive the execution of this Agreement.

1.03 The Optionor will indemnify and save the Optionee harmless from all loss, damage, costs, actions and suits arising out of or in connection with any breach of any representation, warranty, covenant, agreement or condition made by it, and the Optionor acknowledges that the Optionee has entered into this Agreement relying on the warranties and representations and other terms and conditions of this Agreement and that no information which is now known or which may hereafter become known to the Optionee or its officers, directly or through professional advisors, shall limit or extinguish the right to indemnity hereunder.

### **REPRESENTATIONS AND WARRANTIES OF THE OPTIONEE**

2.01 The Optionee represents and warrants to the Optionor that:

- (a) it has been duly incorporated and validly exists as a corporation in good standing under the laws of the Province of British Columbia;
- (b) it has duly obtained all corporate authorizations for the execution of this Agreement and for the performance of this Agreement by it, and the consummation of the transaction herein contemplated will not conflict with or result in any breach of any covenants or agreements contained in, or constitute a default under, or result in the creation of any encumbrance under the provisions of, the Articles or the constating documents of the Optionee or any shareholders or directors resolution, indenture, agreement or other instrument whatsoever to which the Optionee is a party or by which it is bound;

- (c) no proceedings are pending for, and the Optionee is unaware of any basis for the institution of any proceedings leading to its dissolution or winding-up or placing it in bankruptcy or subject to any other laws governing the affairs of insolvent companies.

2.02 The representations and warranties contained in paragraph 2.01 are provided for the exclusive benefit of the Optionor, and a breach of any one or more thereof may be waived by the Optionor in whole or in part at anytime without prejudice to its rights in respect of any other breach of the same or any other representation or warranty and the representations and warranties contained in paragraph 2.01 shall survive the execution of this Agreement.

### **PURCHASE PRICE**

3.01 The Optionor hereby grants to the Optionee the sole and exclusive right and option to acquire up to a sixty (60%) per cent of the Optionor's interest in and the Property in consideration for the cash payment and expenditures as described in paragraph 3.02 herein.

3.02 To maintain in force the said Option and to acquire an interest in and to the Property, the Optionee shall make the following expenditures:

- (a) Within ten (10) days of the execution of this Agreement the Optionee shall pay the Optionor \$12,500.00 and issue and allot to the Optionor 100,000 shares of the Optionee;
- (b) On or before the first anniversary of the execution of this Agreement, the Optionee will pay the Optionor a further \$12,500.00 and issue and allot to the Optionor a further 200,000 shares;

- (c) On or before the second anniversary of the execution of this Agreement, the Optionee will pay the Optionor a further \$25,000.00 and issue and allot to the Optionor a further 300,000 shares;
- (d) On or before the third anniversary of the execution of this Agreement, the Optionee will pay the Optionor a further \$50,000.00 and issue and allot to the Optionor a further 500,000 shares;
- (e) On or before September 30, 2010, the Optionee shall expend not less than \$100,000.00 on Exploration Expenditures on the Property;
- (f) On or before September 30, 2011, the Optionee shall expend not less than a further \$100,000.00 on Exploration Expenditures on the Property;
- (g) On or before September 30, 2012, the Optionee shall expend not less than a further \$250,000.00 on Exploration Expenditures on the Property at which time the Optionee shall have earned a 60% interest in the Property;
- (h) for the purposes of this Agreement, costs and expenses creditable to Exploration Expenditures shall mean, monies expended in carrying out exploration work on the Property and shall include all costs and expenses incurred for exploration of or for the benefit of the Property, including but not limited to preparing engineering reports, costs and expenses to maintain title to the Property or to pay applicable claim renewal fees and permits, aerial and surface reconnaissance, including without limitation, geophysical and geochemical work and geological mapping; building and maintenance of necessary access roads, drill site preparation; exploration work; logging of drill holes and drill core; evaluation of geological, geophysical, geochemical or exploration data; laboratory work, including without limitation, assay and metallurgical analysis; and any environmental problems, reclamation or restoration work on the Property, any drill sites, access roads or any grounds or

waters surrounding the Property as required by any governmental agency or otherwise; salaries for employees employed on the site (including the costs to the Optionee for fringe benefits); the charges of consultants, auditors, accountants and contractors directly incurred with respect to the Property; the costs of necessary transportation and equipment rentals and repairs, and the costs of mobilization and demobilization of personnel and equipment to the Property and return including the costs of creating and maintaining a camp on or near the Property; all fees required to maintain the Property in good standing in accordance with the laws of the Province of Alberta and other governmental authorities having jurisdiction and such other costs as are necessary to provide sustenance and shelter for personnel, plus an overhead charge equal to 10% of the costs of work performed by the Optionee and 5% of the costs of work performed by consultants and contractors;

- (i) the Optionee has a further option to acquire an additional 15% by issuing the Optionor an additional 1,000,000 shares and expending an additional \$500,000.00 for Exploration Expenditures on or before September 30, 2013;
- (j) all shares issued under paragraph 3.02 shall be at a deemed price of \$0.10 per share.

#### **ADDITIONAL CLAUSES**

4.01 During the term of this Agreement, the Optionor shall act as the Operator of the exploration work to be carried out on the Property in the manner set out in the Joint Venture Agreement which is Schedule AB<sup>@</sup> to this Agreement.

4.02 During the term of this Agreement, the Optionee shall file all necessary assessment work necessary to keep the Property in good standing under the laws of the Province of Alberta.

## **FORMATION OF JOINT VENTURES**

5.01 Upon the Optionee either earning a 60% interest by making all of the payments and Exploration Expenditures set out in paragraph 3.02(a) to (g) or electing not to acquire any further interests after making the payments and expenditures set out in paragraph 3.02(a) to (g), the parties hereto mutually covenant that they shall enter into a joint venture agreement in the form attached hereto as Schedule AB@ (the Joint Venture Agreement@) together with such necessary amendments as are required to reflect the terms of this Agreement and the interest which the Optionee shall have earned.

## **RIGHTS OF ENTRY AND INFORMATION**

6.01 During the term of this Agreement, the Optionor shall have the sole and exclusive right at all times during the currency of this Agreement to enter in and upon the Property to manage the Property and any work programs conducted on the Property and to the extent that it is in its sole discretion may consider advisable to explore, examine, prospect, investigate, map, survey, mine, develop and to carry out commercial production on the Property or any part or parts thereof, and to extract, remove and treat rock, earth and, ore and minerals therefrom and to dump and store materials and waste materials thereon or therein. In doing such exploration, development, mining and production work, the Optionor may treat the Property as a group or in conjunction with adjoining mineral interests which the Optionor may own and may explore and develop the Property by means of drilling, shaft sinking, cross cutting, drifting and raising, or by any other exploration or development or mining method as recommended by its engineers, geologists and consultants. The Optionor shall have custody, possession and control of all drill cores during the term of this Agreement and upon the termination of this Agreement prior to the acquiring of an interest in the Property by the Optionor shall deliver up to the Optionee all such drill cores, together with all assays, geological information, models, maps and reports made prepared or taken in connection with the work conducted, or to be conducted, on the Property pursuant to the terms of this Agreement.

6.02 During the term of this Agreement, the Optionor shall provide the Optionee with copies of all Engineering and Geological reports, maps and other data pertaining to the Property and any exploration or development work or examinations of said Property. The Optionee or its duly authorized representative, at their own risk and expense are permitted to inspect the Property, provided such inspection does not interfere with the operations of the Optionor. The Optionee agrees that all data, reports records and other information relating to the Property will be treated as confidential. The Optionor agrees that it shall not disclose to any third party or to the public any information concerning the Property or the results of operations on the Property.

### **FORCE MAJEURE**

7.01 If the Optionor is prevented from or delayed in complying with any provisions of this Agreement by reasons of strikes, labour disputes, lockouts, labour shortages, power shortages, fires, wars, acts of God, governmental regulations restricting normal operations or any other reasons or reasons beyond the control of the Optionee, the time limited for the performance of the various provisions of this Agreement as set out herein shall be extended by a period of time equal in length to the period of such prevention and delay.

7.02 The Optionee, insofar as is possible shall promptly give written notice to the Optionor of the particulars of the reasons for any prevention or delay under this Section and shall take all necessary steps to remove the cause of such prevention or delay and shall give written notice to the Optionor as soon as such cause ceases to exist.

### **SURRENDER OF PROPERTY INTEREST PRIOR TO COMPLETION OF AGREEMENT**

8.01 As described in paragraph 9.01, the Optionee may at any time elect to abandon its interest in the Property and in this Agreement by giving notice to the Optionor of any such intention. In the event of such abandonment, the Optionor shall not be entitled to any further cash payments which are not due and payable at the time of such abandonment. This surrender shall not affect the Optionee's covenants and obligations prior to the said surrender.



**TERMINATION NOTICE**

9.01 This Agreement shall terminate upon the Optionee giving five (5) days written notice to the Optionor of termination, provided that the Optionee is not in default under any provisions of this Agreement at the time the notice is given.

Notwithstanding anything in this Agreement, if the Optionee fails to make any payments or fails to do anything on or before the last day provided for such payment or performance under this Agreement, the Optionor may terminate this Agreement, but only if:

- (a) it shall have first given to the Optionee written notice of the failure, containing particulars of the payment which the Optionee has not made or the act which the Optionee has not performed; and
- (b) the Optionee has not, within sixty (60) days following delivery of such notice, cured such failure by appropriate payment or performance (the Optionee hereby agreeing that should it so commence to cure any failure it will prosecute the same to completion without undue delay).

Should the Optionee fail to comply with the provisions of paragraph 10.01(b), the Optionor may thereafter terminate this Agreement by notice to the Optionee.

9.02 Upon termination of this Agreement, the Optionee shall:

- (a) have completed and recorded sufficient assessment work on the property and make the required cash payments to maintain the property in good standing for a period of at least six (6) months from the date of termination;

- (b) turn over the Optionor's originals of all factual maps, reports, assays, results and other factual data; and
- (c) leave the Property in a safe condition in accordance with any applicable requirements of law.

9.03 Upon the termination of this agreement, the Optionee forfeits any and all interests in the Property hereunder and shall cease to be liable to the Optionor in debt, damages or otherwise save for the performance of those of its obligations which therefore should have been performed.

9.04 Upon termination of this Agreement, the Optionee shall vacate the Property within a reasonable time after such termination, but shall have the right of access to the Property for a period of six months thereafter for the purpose of removing its chattels, machinery, equipment and fixtures therefrom.

## **TRANSFERS**

10.01 Either party (the Transferring Party) may at any time sell, transfer or otherwise dispose of all or any portion of its interest in and to the Property and this Agreement, except that its obligations hereunder shall continue unless released in writing by the other party and provided that any purchaser, assignee or transferee of any such interest shall have first delivered to the other party its agreement binding itself to this Agreement and containing:

- (a) a covenant by such transferee to perform all the obligations of the Transferring Party to be performed under this Agreement in respect of the interest to be acquired by it from the Transferring Party;
- (b) a provision subjecting any further sale, transfer or other disposition of such interest in the Property and this Agreement or any portion thereof to the restrictions contained in this Section.

**OPTIONEE-S INDEMNITY**

11.01 The Optionee shall indemnify and save harmless the Optionor from any and all liability arising on or in relation to the Property including but not limited to any liability from environmental damage during the term of this Agreement, unless caused by the fault of the Optionor.

**DEFAULT**

12.01 Notwithstanding anything in this Agreement to the contrary, if any party (the Adefaulting party<sup>®</sup>) should be in default of any requirement herein set forth, and the other party shall give written notice to the defaulting party specifying the default and the defaulting party shall not lose any right granted under this Agreement unless within 60 days after the giving of notice of default by the other party, the defaulting party shall have failed to cure any such default, in which event this Agreement shall terminate subject however to the provisions set out in paragraphs 9.01 and 9.01 herein.

**RIGHT OF FIRST REFUSAL**

13.01 During the term of this Agreement, none of the parties shall sell, assign, or in any other manner dispose or attempt to dispose of all or any portion of its interest herein except as provided hereinafter. A party wishing to sell or dispose of all or a portion of its interest (in this section 13 called the ADisposing Party<sup>®</sup>) may:

- (a) sell or dispose that interest in the manner set out in subsection 13.02 to the other party to this Agreement (the AOther Party<sup>®</sup>) who elect to purchase the same;
- (b) sell or dispose that interest to an affiliate of the Disposing Party; provided however, that the Disposing Party shall provide a guarantee to the Other Party, in form reasonably satisfactory to counsel for the Other Party, guaranteeing the obligations of

the Affiliate under this Agreement and provided further, that the sale to the Affiliate shall be subject to the Affiliate entering into an agreement with the Other Party whereby it agrees to be bound by the provisions of this Agreement.

13.02 A Disposing Party will, prior to selling or disposing of the interest other than to an Affiliate, first offer to sell the interest to the Other Party for cash consideration and upon such other terms and conditions as the Disposing Party deems fit. If, within 30 days of the Disposing Party's offer to sell, the Other Party elects not to purchase the interest upon those terms and conditions the Disposing Party will be free to dispose of that interest to a third party at any time within six months of the Other Party's election but only for a cash consideration or for some consideration other than cash, provided that the fair cash equivalent of any non-cash consideration be equal to or greater than the cash consideration stated in the Disposing Party's offer to sell to the Other Party, and upon no more favourable terms and conditions as the offer to sell to the Other Party, provided however, that the sale of the interest to the third party shall be subject to the third party entering into an agreement with the Other Party whereby it agrees to be bound by the provisions of this Agreement. Any interest not disposed of by the Disposing Party aforesaid will remain subject to the provisions of this subsection.

## **ARBITRATION**

14.01 The parties agree that all questions or matters in dispute as to the interpretation or effect or any provision of this Agreement shall be finally settled by arbitration in the manner hereinafter set forth. If either of the Optionee or the Optionor wishes to submit a matter to arbitration, then such party shall give to the other party not less than ten (10) days= prior written notice of intention to do so, the party giving notice shall nominate one arbitrator and the other shall within fifteen (15) days after receiving such notice nominate another arbitrator. The two arbitrators so nominated shall within the next thirty (30) days unanimously agree on the appointment of a third arbitrator to act with them and to be chairman of the arbitration. If either of the Optionee or the Optionor shall fail to nominate an arbitrator within fifteen (15) days after receiving notice of the nomination of the first arbitrator, the first arbitrator shall be the only arbitrator, and if two arbitrators

are nominated but shall be unable to agree unanimously on the appointment of the chairman, the chairman shall be appointed under the provisions of the Commercial Arbitration Act (British Columbia). In all other respects, the arbitration shall be conducted in accordance with such Act and the chairman or, in the case whereby only one arbitrator is nominated, the single arbitrator shall fix a time and place in Vancouver, British Columbia for the purpose of hearing evidence and representations and he shall preside over the arbitration and determine all questions of procedure not provided for under such Act. The parties agree that the award of a majority of arbitrators or, in the case of a single arbitrator of the said arbitrator shall be binding upon each of them both as to law and fact and there shall be no appeal therefrom. Judgment or any award rendered pursuant to the arbitration proceedings may be entered into any court of competent jurisdiction or application made to such court for Judicial acceptance of the award and an order of enforcement. The costs of arbitration shall be borne equally by the parties unless otherwise determined by the arbitrator(s) in the award.

## **NOTICE**

15.01 Any notice, election, consent or other writing required or permitted to be given hereunder shall be deemed to be sufficiently given if delivered or if mailed by registered air mail or by telegram or fax, addressed as follows:

In the case of the Optionor:

1177129 ALBERTA LTD.  
609 - 475 Howe Street  
Vancouver, B.C. V6C 2B3

In the case of the Optionee:

ZADAR VENTURES LTD.  
430 – 580 Hornby Street  
Vancouver, B.C. V6C 3B6

and any such notice given as aforesaid shall be deemed to have been given to the parties hereto if delivered, when delivered, or if mailed, on the third business day following the date of mailing or, if telegraphed or faxed, on the next succeeding day following the telegraphing or faxing thereof PROVIDED HOWEVER that during the period of any postal interruption in either the country of mailing or the country of delivery, any notice given hereunder by mail shall be deemed to have been given only as of the date of actual delivery of the same. Any party may from time to time by notice in writing change its address for the purpose of this paragraph.

### **INTERPRETATION**

16.01 The terms of this Agreement shall be construed in accordance with the laws of British Columbia.

### **ENUREMENT**

17.01 This Agreement shall enure to the benefit of and be binding upon the parties hereto, their respective successors or permitted assigns, as the case may be.

### **ADDITIONAL TERMS**

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

18.02 This Agreement shall supercede and replace any other agreement or arrangement, whether oral or written heretofore existing between the parties hereto in respect of the subject matter of this Agreement.

18.03 This Agreement may be executed in several parts in the same form and such parts as so executed shall together form one original agreement, and such parts, if more than one, shall be

read together and construed as if all the signing parties hereto had executed one copy of this Agreement.

18.04           Wherever the singular or masculine are used throughout this Agreement, the same shall be construed as being the plural or feminine or neuter where the context so requires.

18.05           Time is hereby expressly made of the essence with respect to the performance by the parties of their respective obligations under this Agreement.

18.06           Except as expressly provided herein, each party shall have the free and unrestricted right to independently engage in and receive the full benefit of any and all business endeavours of any sort whatsoever, whether or not competitive with the endeavours contemplated herein without consulting the other or inviting or allowing the other to participate herein. No party shall be under any fiduciary or other duty to the other which will prevent it from engaging in or enjoying the benefits of competing endeavours within the general scope of the endeavours contemplated herein. In particular, without limiting the foregoing, no party shall have an obligation to any other party as to:

- (a)     any opportunity to acquire, explore and develop any mining property, interest or right presently owned by it or offered to it outside of the Property at any time; and
- (b)     the erection of any mining plant, mill, smelter or refinery, whether or not such mining plant, mill, smelter or refinery treats ores or concentrates from the Property.

18.07           No representations or inducements have been made save as herein set forth. No

changes, alterations, or modifications of this Agreement shall be binding upon either party until and unless a memorandum in writing to such effect shall have been signed by all parties hereto.

18.08 The titles to the articles to this agreement shall not be deemed to form part of this agreement but shall be regarded as having been used for convenience of reference only.

18.09 The schedules to this agreement shall be construed with and as an integral part of this agreement to the same extent as if they were set forth verbatim herein.

18.10 All references to dollar amounts contained in this agreement are references to Canadian funds unless specifically stated otherwise.

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

THE CORPORATE SEAL of **1177129** )  
**ALBERTA LTD.**, was hereunto affixed in )  
the presence of: )  
) )  
“J. Walsh” )  
\_\_\_\_\_ )  
) )  
President )  
\_\_\_\_\_ )  
)

C/S

THE CORPORATE SEAL of **ZADAR** )  
**VENTURES LTD.**, was hereunto affixed in )  
the presence of: )  
) )  
“Mark Tommasi” )  
\_\_\_\_\_ )  
) )  
President )  
\_\_\_\_\_ )  
)

C/S



**SCHEDULE AA<sup>®</sup> ATTACHED TO AGREEMENT DATED APRIL 29, 2010, BETWEEN  
1177129 ALBERTA LTD. AND ZADAR VENTURES LTD.**

18,263.3 hectares located immediately north of the U.S.A.-Canada Border near Delbonita, Alberta  
consisting of 3 metallic mineral permits:

Permit #093 9305050704	Legal Description:	4-23-002
Permit #093 9305050703	Legal Description:	4-23-002
Permit #093 9306031154	Legal Description:	4-23-002

**SCHEDULE AB@ ATTACHED TO AGREEMENT DATED APRIL 29, 2010, BETWEEN INTERNATIONAL RANGER CORP. AND ZADAR VENTURES LTD.**

**MADE AS OF THE 29TH DAY OF APRIL, 2010  
JOINT VENTURE AGREEMENT**

BETWEEN:

**1177129 ALBERTA LTD.**, a company duly incorporated under the laws of the Province of British Columbia, and having its offices located at 609 - 475 Howe Street, in the City of Vancouver, Province of British Columbia, V6C 2B3;

(hereinafter referred to as AAlberta Co.@)

OF THE FIRST PART

AND:

**ZADAR VENTURES LTD.**, a company duly incorporated under the laws of the Province of British Columbia, and having its registered office located at 430 – 580 Hornby Street, in the City of Vancouver, Province of British Columbia, V6C 3B6;

(hereinafter referred to as AZadar@)

OF THE SECOND PART

WHEREAS the parties hereto hold collectively, a 100% interest in certain mineral interests in the Province of Alberta (as described in Schedule AA@ attached to the Option Agreement dated April 29, 2010 (hereinafter referred to as the AProperty@).

AND WHEREAS the parties wish to enter into an agreement whereby Alberta Co. and Zadar merge their respective interests in the permits into a Joint Venture called the Whiskey Gap Syndicate (AWGS@) wherein Alberta Co. and Zadar become Joint Venture Partners in WGS.

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the mutual covenants and agreements hereinafter contained, the parties hereto have agreed and do hereby agree as follows:

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## 1. INTERPRETATION

- 1.01 The words, phrases and expressions defined in Appendix I, which is attached to and forms part of this Agreement, shall have the meanings attributed to them in Appendix I.

## 2. FORMATION OF THE JOINT OPERATION

- 2.01 Zadar and Alberta Co. agree to form a Joint Venture pursuant to the laws of the Province of British Columbia for the joint exploration and mineral development and production from the Property. Upon request of either party, the other party shall immediately do everything necessary to accomplish the purposes of this Agreement, including but not limited to, the execution of any necessary assignments or conveyances to put property, both real and personal, in the name of the Joint Venture. The name of the Joint Venture shall be the "Whisky Gap Syndicate". The parties hereto as of the date of this Agreement, shall own the following undivided Participating Interests in the income, loss, deductions, gains and credits of the Joint Venture and in the properties and cash that have been contributed, or that may hereafter be optioned, leased, rented, purchased, located or otherwise acquired by the Joint Venture pursuant to this Agreement:

Zadar	-	60%
Alberta Co.	-	40%

Provided however, that the Participating Interest of each may be forfeited, diluted or increased as provided herein.

- 2.02 The right of each party to explore, mine and market production from other sources in competition with the other parties and to market its share of any Minerals from the Property in competition with any other party is hereby confirmed. This Agreement shall not preclude or restrict that right.

## 3. INTERESTS

- 3.01 Except as otherwise provided in this Agreement, the parties shall bear all costs and all liabilities arising under this Agreement and shall own the Property, the Assets and any Mine all in proportion to their respective Interests.

## 4. MANAGEMENT COMMITTEE

- 4.01 A Management Committee shall be established on or forthwith after the Operative Date.

Except as herein otherwise provided, the Management Committee shall make all decisions in respect of Mining Operations.

- 4.02 There shall be five representatives and five alternate representatives appointed to the Management Committee in proportion to the participating interest held by each of the Joint Venture Partners. Alternate representatives may attend all meetings and alternate representatives may act for a party's representatives in their absence.
- 4.03 The Operator shall call Management Committee meetings at least once every 6 months, and, in any event, within 14 days of being requested to do so by any two representatives.
- 4.04 The Operator shall give notice, specifying the time and place of, and the agenda for, the meeting, to all representatives at least seven days before the time appointed for the meeting.
- 4.05 Notice of a meeting shall not be required if representatives of all the parties are present and unanimously agree upon the agenda.
- 4.06 A quorum for any Management Committee meeting shall be present if the representatives of all parties are present. If a quorum is present at the meeting, the Management Committee shall be competent to exercise all of the authorities, powers and discretion herein bestowed upon it hereunder. If a quorum is present at the commencement of the meeting, the quorum need not be present throughout the meeting.
- 4.07 No business shall be transacted at any meeting unless a quorum is present. If a quorum is not present within half an hour from the time appointed for a meeting, the meeting shall, at the election of those representatives who are present be dissolved or be adjourned to the same place but on a date and at time, to be fixed by the chairman of the meeting before the adjournment, which shall be not less than 14 days following the date for which the meeting was called. Notice of the adjourned meeting shall be given to the representatives of all parties forthwith after the adjournment of the meeting. If a quorum is not present at the adjourned meeting within half an hour from the time appointed, the representative or representatives present and entitled to attend and vote at the meeting, shall constitute a quorum.
- 4.08 The Management Committee shall decide every question submitted to it by a vote with each representative being entitled to cast that number of votes which is equal to its party's Interest percentage. The Management Committee shall make decisions by Simple Majority.
- 4.09 A representative of the Operator shall be the chairman of Management Committee meetings. The Chairman shall be entitled to appoint the secretary for the meeting. The secretary of the meeting shall take minutes of that meeting and circulate copies thereof to each representative.

- 4.10 The Management Committee may also make decisions by obtaining the consent in writing of the representative of all parties. Any decision so made shall be as valid as a decision made at a duly called and held meeting of the Management Committee.
- 4.11 Management Committee decisions made in accordance with this Agreement shall be binding upon all of the parties.
- 4.12 Each party shall bear the expenses incurred by its representatives in attending meetings of the Management Committee.
- 4.13 The Management Committee may, by agreement of the representatives of all the parties, establish such other rules of procedure, not inconsistent with this Agreement, as the Management Committee deems fit.
- 4.14 Reference in this section to the *Aparties@* shall apply during the Exploration Period. After the date of a Production Notice this section shall be read as if the word *Aparticipant@* appeared wherever the word *Aparty@* appears.

## **5. OPERATOR**

- 5.01 Zadar shall be the initial Operator and shall act as Operator until such time as it resigns or is removed as Operator pursuant to subsection 5.03.
- 5.02 The party acting as Operator may resign as Operator on at least 90 days= notice to all the parties.
- 5.03 The Management Committee may, upon unanimously approval of the representatives of all parties who are non-Operators and giving notice to that party which is Operator, remove that party as Operator, effective the date designated by the Management Committee, if:
- (a) that party=s Interest is reduced so that it no longer holds the single largest Interest;
  - (b) that party makes an assignment for the benefit of its creditors, or consents to the appointment of a receiver for all or substantially all of its property, or files a petition in bankruptcy or for reorganization under the appropriate bankruptcy legislation, or is adjudicated bankrupt or insolvent; or
  - (c) a court order is entered, without that party=s consent;
    - (i) appointing a receiver or trustee for all or substantially all of its property; or

- (ii) approving a petition in bankruptcy or for reorganization pursuant to the appropriate bankruptcy legislation or for any other judicial modification or alteration of the rights of creditors.

- 5.04 If a party resigns or is removed as Operator, the Management Committee shall thereupon select another party to become Operator effective the date established by the Management Committee.
- 5.05 Upon ceasing to be Operator, the former Operator shall forthwith deliver to the new Operator custody of all Assets and Property and any books and records pertaining to the Assets and Property which it prepared or maintained in its capacity as Operator. The new Operator shall assume all of the rights, responsibilities, duties and status of the previous Operator as provided in this Agreement. The new Operator shall have no obligation to hire any of the employees of the former Operator.
- 5.06 If the Operator resigns or is removed and no other party consents to act as Operator the Joint Operation shall be terminated and the party which was the Operator may, if it consents to act, continue to act as Operator to effect the termination and the other parties being obligated to fund their respective Proportionate Shares of the Costs incurred.

## **6. RIGHTS, DUTIES AND STATUS OF OPERATOR**

- 6.01 The Operator in its operations hereunder shall be considered to have the status of an independent contractor. The Operator shall not act or hold itself out as agent for any of the parties nor make any commitments on their individual behalf unless specifically permitted by this Agreement or directed in writing by a party.
- 6.02 Subject to any specific provisions of this Agreement and subject to it having the right to reject any direction on reasonable grounds by virtue of its status as an independent contractor, the Operator shall perform its duties hereunder in accordance with the directions of the Management Committee and in accordance with this Agreement.
- 6.03 The Operator shall manage and carry out such Mining Operations as the Management Committee may approve and in connection therewith shall, in advance, if reasonably possible notifying the Management Committee of any change in Mining Operations which the Operator considers material and, if it is not reasonably possible, the Operator shall notify the Management Committee as soon thereafter as is reasonably possible.
- 6.04 The Operator shall have the sole and exclusive right and authority to manage and carry out all Mining Operations and to incur the Costs required for that purpose. In so doing the Operator shall, unless it obtains the approval of the Management Committee to do otherwise:

- (a) comply with the provisions of all agreements or instruments of title under which the Property or Assets are held;
- (b) pay all Costs properly incurred promptly as and when due;
- (c) keep the Property and Assets free of all liens and encumbrances (other than those, if any, in effect on the Operative Date or the creation of which is permitted pursuant to this Agreement) arising out of the Mining Operations and, if a lien is filed as aforesaid, proceed diligently to contest or discharge it;
- (d) prosecute claims or, where a defence is available, defend litigation arising out of the Mining Operations, provided that any Participant may join in the prosecution or defence at its own expense;
- (e) subject to subsection 19.05, perform such assessment work or make payments in lieu thereof and pay such rentals, taxes or other payments and do all such other things as may be necessary to maintain the Property in good standing, including, without limiting generality, staking and resoaking mineral claims and applying for licenses, leases, grants, concessions, permits, patents and other rights to and interest in the Minerals;
- (f) maintain accounts in accordance with the Accounting Procedure; provided, that the Operator's judgment on matters related to accounting for which provision is not made in the Accounting Procedure shall govern if its accounting practices are in accordance with Canadian generally accepted accounting principles; and
- (g) perform its duties and obligations hereunder in a sound and workmanlike manner, in accordance with sound mining and engineering practices, and in compliance with all applicable federal, provincial, Territorial and municipal laws, by-laws, ordinances, rules and regulations and this Agreement.

## **7. EXPLORATION PROGRAMS**

- 7.01 The Operator shall prepare draft Programs for consideration by the Management Committee. The draft Program shall contain a statement in reasonable detail of the proposed Mining Operations and a budget of Exploration Costs to be incurred.



- 7.02 The Management Committee shall review the draft Program and, if it deems fit, may approve the Program with such modifications, if any, as the Management Committee deems necessary. The Operator shall be entitled to an allowance for a Cost overrun of 10 per cent in addition any budgeted Exploration Costs and any Costs so incurred by shall be deemed to be included in the Program, as approved.
- 7.03 The Operator shall submit the Program to the parties forthwith after it is approved. Each party may, within 30 days of receipt of the Program, give notice to the Operator committing to contribute its proportionate share of the Exploration Costs on that Program. A party which fails to give that notice within the 30 day period shall be deemed to have elected not to contribute.
- 7.04 If any party elected not to contribute to a Program, the proportion to be contributed by the parties who elected to contribute shall be increased pro rata, subject to the right of any of them to elect, prior to the commencement of the Program, not to contribute more than its proportionate share.
- 7.05 Notwithstanding subsection 7.01, if, in any year in which there is no Program adopted pursuant to this Agreement, circumstances are such that the Operator must incur costs in order to maintain tenure to the Property, to satisfy contractual obligations or obligations imposed by law, to prevent waste or to protect life and property (in this subsection 7.05 called Anon-discretionary costs<sup>®</sup>), the Operator shall forthwith propose a program (in this subsection 7.05 called the Amandatory program<sup>®</sup>) to incur those non-discretionary costs and provide each party with one copy thereof. The mandatory program shall be deemed to be approved and each or the parties shall be obligated to contribute to the non-discretionary costs incurred in proportion to their respective Interests within 30 days of receipt of the Operator's invoice; failing which contribution subsection 7.07 shall apply.
- 7.06 The Operator shall be entitled to invoice each Participant:
- (a) for that Participant's proportionate share of Exploration Costs incurred and paid by the Operator, provided the invoices are no more frequent than monthly; or
  - (b) for an advance of that Participant's proportionate share of Exploration Costs, provided the invoice is for an amount reasonably in advance of requirement and does not exceed the requirements for the next calendar quarter

Each invoice shall be signed by some responsible official of the Operator. Each Participant shall pay the amount invoices to the Operator within 30 days of receipt of that invoice. If a Participant protests the correctness of an invoice it shall nevertheless be required to make the payment.

- 7.07 If any Participant fails to pay an invoice within the 30 day period referred to in subsection 7.06 the Operator may by notice demand payment. If no payment is made within the period of 30 days next succeeding the receipt of the demand notice and the other Participants may elect to increase their contribution to satisfy the shortfall. Thereupon, the defaulting Participant shall be deemed to have forfeited its right to contribute to any further Costs under this Agreement and it shall be deemed to have elected not to contribute to each Program subsequently conducted and to any Production Notice, and accordingly, shall have its Interest reduced in the manner contemplated in subsections 7.10 and 9.02.
- 7.08 The Operator shall extend all monies advance by a Participant ratably with the advances of the other Participants. If the Operator suspends or prematurely terminates a Program, any funds advanced by a Participant in excess of that Participant's proportionate share of Exploration Costs incurred prior to the suspension or premature termination shall be refunded forthwith.
- 7.09 The Operator may suspend or terminate prematurely any Program with the prior consent of the Participants when the Operator, in good faith, considers that conditions are not suitable for the proper continuation or completion of the Program or if the results to that point substantially impair or eliminate the technical rationale upon which the Program was predicated. If, in the circumstances, the Operator considers the obtaining of prior consent impracticable, the Operator may unilaterally suspend or prematurely terminate the Subsequent Program but shall forthwith thereafter give notice thereof to the Participants. If any Program is suspended or terminated prematurely so that the Exploration Costs actually incurred on that Program are less than 80 per cent of the Exploration Costs originally budgeted the Operator shall give notice thereof to any party which elected not to contribute to that Program and that party shall be entitled to contribute its proportionate share of the Exploration Costs actually incurred to that Program by payment thereof to the Operator within 30 days after receipt of the notice for reimbursement to the other parties if payment is not made by that party within the 30 days aforesaid it shall be deemed to have elected once again not to contribute to that Program.
- 7.10 If a party elects not to contribute to the Exploration Costs of any Program, the Interest of that party shall be reduced and the Interest of each Participant contributing in excess of its proportionate share of the Exploration Costs shall be increased 1 per cent for each \$100,000.00 the Non-Contributing Joint Venture Party fails or refuses to contribute until such time as the Non-Contributing Joint Venture Participating Interest is reduced to 10 per cent at which time the interests shall be converted into a 10 per cent net carried interest (which shall entitle them to 10% of the Net Proceeds of Production). A party whose Interest has been reduced shall be entitled to receive details of and to contribute to future Programs to the extent of its then Interest unless subsection 7.06 becomes applicable to it or it assigns and conveys its Interest as contemplated in subsection 10.01.

## **8. PRODUCTION NOTICE**

- 8.01 At such time, if any, as it deems fit, the Management Committee may approve a Program which contemplates the preparation of a Feasibility Report. The Operator shall provide copies of such completed Feasibility Report to each of the parties forthwith upon completion.
- 8.02 The parties shall meet at reasonable intervals and times to review the Feasibility Report and discuss whether the establishing and bringing of a Mine into commercial production in conformity with such Feasibility Report is feasible or desirable.
- 8.03 The Operator shall call a Management Committee meeting to consider a Feasibility Report prepared pursuant to this Agreement for a date no sooner than 120 days after such Feasibility Report was provided to each of the parties.
- 8.04 The Management Committee shall consider each Feasibility Report prepared pursuant to this Agreement and may approve any Feasibility Report, with such modifications, if any, as it considers necessary or desirable, and estimate of Construction Costs necessary to construct the Mine. If a Feasibility Report prepared pursuant to this Agreement is approved as aforesaid the Management Committee shall forthwith cause the Operator to give a notice (a Production Notice<sup>®</sup>) to each of the parties stating that the Management Committee has approved that mine be established and brought into production in conformity with the Feasibility Report as so approved and indicating the Construction Costs estimate which the Management committee considers necessary to implement the Production Notice.

## **9. ELECTION TO CONTRIBUTE**

- 9.01 Each party may, within 60 days of receipt of the Production Notice, give the Operator notice committing to contribute its proportionate share of Construction Costs which will be necessary to construct the Mine. A party which fails to give that notice within the 60 day period shall be deemed to have elected not to contribute.
- 9.02 If any party elects not to contribute to Construction Costs that party shall forfeit the right to contribute any further to costs under this Agreement and those parties which elected to contribute as aforesaid may thereupon elect to increase their contribution to the Construction Costs, if more than one party then in proportion to their respective Interests, by the amount which any party has declined to contribute. If elections are made so that Construction Costs are fully committed:
- (a) the Interest of each Participant shall be increased and that of the non-contributing party shall be reduced as Costs are incurred so that the Interest of each party at all times is that percentage which is equivalent to

- (i) the sum of its Exploration Costs, its Prior Exploration Costs and its contribution to Construction Costs;

divided by

- (ii) the sum of the total Exploration Costs, the total Prior Exploration Costs and the total Construction Costs of all the parties;

Multiplied by

- (iii) 100;

(b) then, at the earlier of the Completion Date or the date at which the non-contributing party's Interest has been reduced to 10 percent, that non-contributing party shall then be deemed to have assigned and conveyed its Interest to the Participants in the manner contemplated in section 10;

(c) for the purposes of this clause, the Exploration costs and Prior Exploration Costs to creation of the Joint Venture, shall be as follows:

- (i) Zadar - \$660,000
- (ii) Alberta Co. - \$440,000

9.03 If, after the operation of subsection 9.02, Construction Costs are not fully committed the Production Notice shall be deemed to be withdrawn.

**10. EFFECT OF NON-PARTICIPATION**

10.01 If at the Completion Date, a non-contributing party (in this section called the Assigning Party) holds an Interest of 10 per cent or more, the Assigning Party shall be deemed to have assigned and conveyed its Interest to the Participants, if more than one then in proportion to their respective Interests. In consideration of that assignment and conveyance, the Assigning Party shall be entitled to received as its sole remuneration, by way of royalty, that percent of the Net Proceeds of Production, as and when available, which is equivalent to the Interest which it was deemed to have assigned and conveyed.

10.02 If any time prior to the Completion Date, a party has its Interests reduced to less than 10 per cent it shall be deemed to thereupon have assigned and conveyed its Interest in consideration of a 10 per cent Net Carried Interest.

10.03 Upon the assignment and conveyance of its Interest the Assigning Party shall cease to have any further right or Interest under this Agreement. Each Participant shall severally calculate and cause to be paid to the Assigning Party that portion of any of the Net Proceeds of Production derived from the Property to which the Assigning Party is entitled in the manner provided in Appendix III to this Agreement.

## **11. OPERATOR-S FEE**

11.01 The Operator may charge the following sums, as an Operator-s fee, in return for the services which it provides and which it cannot charge directly to the Joint Account pursuant to Appendix II:

- (a) during the Exploration Period: 10 per cent of all Exploration Costs, except the Operator-s fee;
- (b) during the Construction Period: one percent of all Construction Costs, except the Operator-s Fee; and
- (c) after the Completion Date: five per cent of all Operating Costs, except the Operator-s fee.

## **12. MINE FINANCING**

12.01 The contributions of the Participants toward the Mine Costs shall be individually and separately provided by them.

12.02 Solely in order to secure loans to meet their respective contributions toward the Construction Costs, the Participants shall each be entitled to pledge, mortgage, charge or otherwise encumber the Property and Assets to the extent of their respective Interest. However, security shall not be given by any party unless the proposed pledgee, mortgagees, holder of the charge or encumbrance (hereinafter called the AChargee®) first undertakes in writing with all the other Participants, in form reasonably satisfactory to counsel for the Operator and binding upon the Chargee, that:

- (a) it will not enter into possession or institute any proceedings to foreclose or partition an encumbering Participant-s Interest and that its security shall be held subject to this Agreement; and
- (b) its remedies under that security shall be limited to the sale of the whole (but only the

whole) of the encumbering Participant's Interest held under that security to the other Participants, if more than one then in proportion to their respective Interests at that time or, with their unanimous consent, to any one of them or failing any sale as aforesaid, by a sale at a public auction to be held after 90 days= prior notice to the other Participants; provide however, that, prior to completing the purchase, the purchaser shall deliver an agreement, in form reasonably satisfactory to counsel for the Operator, that it assumes the obligations of the encumbering Participant under this Agreement and will be bound by this agreement.

### **13. CONSTRUCTION**

13.01 Subject to subsection 9.03, the Operator shall proceed with Construction with all reasonable dispatch after a Production Notice has been given. Construction shall be substantially in accordance with the Feasibility Report subject to any variations proposed in the Production Notice, and subject also to the right of the Management Committee to approve such other reasonable variations in Construction as the Management Committee deems advisable.

### **14. OPERATION OF THE MINE**

14.01 Commencing with the completion Date, all Mining Operations shall be planned and conducted and all estimates, reports and statements shall be prepared and made on the basis of an Operating Year.

14.02 With the exception of the first Operating year, an Operating Plan for each Operating Year shall be submitted by the Operator to the Participants not later than October 30th in the year immediately preceding the Operating Year to which the Operating Plan relates. Each Operating Plan shall contain the following:

- (a) a plan of the proposed Mining Operation;
- (b) a detailed estimate of all Mine Costs plus a reasonable allowance for contingencies;
- (c) an estimate of the quantity and quality of the ore to be mined and the concentrates or metal to be produced; and
- (d) such other facts as may be necessary to reasonably illustrate the results intended to be achieved by the Operating Plan.

Upon request of any Participant the Operator shall meet with that Participant to discuss the Operating Plan and shall provide such additional or supplemental information as that

Participant may reasonably require with respect thereto.

- 14.03 The Management Committee shall adopt each Operating Plan, with such changes as it deems necessary, by November 30th in the year immediately preceding the Operating Year to which the Operating Plan relates; provided however, that the Management Committee may from time to time and any time amend any Operating plan.

## **15. PAYMENT OF MINE COSTS**

- 15.01 The Operator may invoice each Participant, from time to time, for that Participant's proportionate share of Mine Costs incurred to the date of the invoice or, at the beginning of each month, an advance against Mine Costs equal to that Participant's proportionate share of the estimated cash disbursements to be made during the month. Each Participant shall pay the amount invoiced to the Operator within 30 days as after receipt of the invoice. If a Participant protests the correctness of an invoice it shall nevertheless be required to make the payment. If payment is not so made, the amount invoiced shall bear interest calculated monthly not in advance from the 30th day after the date of receipt of the invoice thereof by that Participant at a rate equivalent to the weighted average Prime Rate for the month plus two percent until paid. The Operator shall have a lien on each participant's Interest in order to secure that payment or advance together with interest which has accrued thereon.
- 15.02 If any Participant fails to pay an invoice contemplated in subsection 15.01 within the 30 day period aforesaid, the Operator may, by notice, demand payment. If payment is not made within 30 days of the Operator's demand notice, the Operator may, without limiting its other rights at law, enforce the lien created by subsection 15.01 by taking possession of all or any part of that Participant's Interest. The Operator may sell and dispose of the Interest which it has so taken into its possession by:
- (a) first offering that Interest to the other Participants, if more than one then in proportion to the respective Interests of the Participants who wish to accept that offer, for that price which is the fair market value stated in the lowest of two appraisals obtained by the Operator from Independent well-recognized appraisers competent in the appraisal of mining properties; and
  - (b) if the Participants have not purchased all or part of that Interest as aforesaid, then by selling the balance, if any, either in whole or in part or in separate parcels at public auction or by private tender (the Participants being entitled to Zadar) at a time and on whatever terms the Operator shall arrange, having first given notice to the defaulting Participating of the time and place of the sale.

As a condition of the sale as contemplated in paragraph 15.02(b), the purchaser shall agree to

be bound by this Agreement and, prior to acquiring the Interest, shall deliver notice to that effect to the parties, in form acceptable to the Operator. The proceeds of the sale shall be applied by the Operator in payment of the amount due from the defaulting Participant and interest as aforesaid, and the balance remaining, if any, shall be paid to the defaulting Participant after deducting reasonable costs of the sale.

## **16. DISTRIBUTION IN KIND**

- 16.01 It is expressly intended that, upon implementation of any Production Notice hereunder, the association of the parties hereto shall be limited to the efficient production of Minerals from the Property and that each of the parties shall be entitled to use, dispose of or otherwise deal with its proportionate share of ores and concentrates as it sees fit. Each Participant shall take in kind, f.o.b. mine site, and separately dispose of its proportionate share of the concentrates derived from the Mineral produced from the Mine. Any extra costs and expenses incurred by reason of the Participants taking in kind and making separate dispositions shall be paid by each Participant directly.
- 16.02 Each Participant shall construct, operate and maintain, all at its own cost and expense, any and all facilities which may be necessary to receive and store and dispose of its proportionate share of the Minerals at the rate the same are produced.
- 16.03 If a Participant has not made the necessary arrangements to take in kind and store its share of production as aforesaid the Operator shall at the sole cost and risk of that Participant, store, in any location where it will not interfere with Mining Operations, the production owned by that Participant. The Operator and the other parties shall be under no responsibility with respect to the minerals so moved and stored. All Costs involved in moving and providing storage shall be billed directly to, and be the sole responsibility of, the Participant whose share of production is so stored.

## **17. SUSPENSION AND TERMINATION OF MINING OPERATIONS**

- 17.01 the Operator may, at any time after the completion Date, on at least 30 days notice to all Participants, recommend that the Management Committee approve that Mining Operations be suspended. The Operator's recommendation shall include a plan and budget (in this section 17 called the Mine Maintenance Plan®), in reasonable detail, of the activities to be performed to maintain the Assets and Property during the period of suspension and the Costs to be incurred. The Management Committee may approve the Mine Maintenance Plan with such changes as it deems necessary. If the Management Committee approves the Mine Maintenance Plan the Operator shall suspend Mining Operations in accordance therewith and the Participants shall be committed to contribute their proportionate share of the Costs



incurred in connection therewith. The Management Committee may cause Mining Operations to be resumed at any time.

17.02 The Operator may, at any time after the completion Date, recommend that the Management Committee approve the permanent termination of Mining Operations. The Operator's recommendation shall include a plan and budget (in this section 17 called the AMine Closure Plan®), in reasonable detail, of the activities to be performed to close the Mine and reclaim the Property. The Management Committee may, by unanimous approval of the representatives of all Participants, approve the Mine Closure Plan with such changes as the Management Committee deems necessary.

17.03 If the Management Committee approves the Mine Closure Plan the Operator shall:

- (a) implement the Mine Closure Plan, as approved, whereupon the Participants shall be committed to pay, in proportion to their respective Interest, such Costs as may be required to implement that Mine Closure Plan;
- (b) remove, sell and dispose of such Assets as may reasonably be removed and disposed of profitably and such other Assets as the Operator may be required to remove pursuant to applicable environmental and mining laws; and
- (c) sell, abandon or otherwise dispose of the Property.

The disposal price for the Assets and the Property shall be the best price obtainable and the net revenues, if any, from the removal and sale shall be credited to the Participants in proportion to their respective Interest.

17.04 If the Management Committee does not approve the Operator's recommendation contemplated in subsection 17.02, the Operator shall maintain Mining Operations in accordance with the Mine Maintenance Plan as approved pursuant to subsection 17.01.

## **18. PROPERTY**

18.01 Title to the Property shall be held in the name of the Operator in trust for the parties in proportion to their Interest as adjusted from time to time. Each of the parties shall have the right to receive, forthwith upon making demand therefore, from the Operator such documents as it may reasonably require to confirm its Interest.

**19. AREA OF INTEREST**

- 19.01 The area of interest shall be deemed to comprise that area which is included within the outermost boundary of the mineral properties which constitute the Property as at the Operative Date.
- 19.02 Except as to renewals or improvements in title to mineral claims or mineral rights held by a party prior to the Operative Date which have not been added to the Property, if at any time during the subsistence of this Agreement any party (in this section only called the Acquiring Party) stakes or otherwise acquires, directly or indirectly, any right to or interest in any mining claim, license, lease, grant, concession, permit, patent, or other mineral property located wholly or partly within the area of interest referred to in subsection 19.01 the Acquiring Party shall forthwith give notice to the other parties of that staking or acquiring, the costs thereof and all details in possession of that party with respect to the nature of the property and the known mineralization.
- 19.03 Each other party may, within 30 days of receipt of the Acquiring Party's notice, elect, by notice to the Acquiring Party, to require that the mineral properties and the right or interest acquired be included in and thereafter form part of the Property for all purposes of this Agreement.
- 19.04 If the election aforesaid, is made, all the other parties shall reimburse the Acquiring Party for that portion of the cost of acquisition which is equivalent to their respective interests. If no other party makes the election aforesaid within that period of 30 days, the right or interest acquired shall not form part of the Property and the Acquiring Party shall be solely entitled thereto.
- 19.04 Notwithstanding paragraph 6.04(e), the Operator shall be entitled, at any time and from time to time, to surrender all or any part of the Property or to permit the same to lapse, but only upon first either obtaining the unanimous consent of the Management Committee, or giving 60 days prior notice of its intention to do so to the other parties. In this latter event, the parties, other than the Operator, shall be entitled to receive from the Operator, on request prior to the date of the surrender or lapse, a conveyance of that portion of the Property intended to surrender or lapse, together with copies of any plans, assay maps, diamond drill records and factual engineering data in the Operator's possession and relevant thereto. Any part of the Property so acquired shall cease to be subject to this Agreement and shall not be subject to subsection 19.02. Any part of the Property which has not been so acquired by any of the parties shall remain subject to subsection 19.02.

**20. INFORMATION AND DATA**

- 20.01 During the subsistence of this Agreement, the authorized representatives of each Participant shall, at its and their sole risk and expense and at reasonable intervals and times, have access to the Property and to all technical records and other factual engineering data and information relating to the Property which is in the Operator's possession.
- 20.02 During the Exploration Period while Programs are being carried out the Operator shall furnish the Participants with quarterly progress reports and a final report on conclusion of each Program. The final report shall show the Mining Operations performed and the results obtained and shall be accompanied by a Statement of Costs and copies of pertinent plans, assay maps, diamond drill records and other factual engineering data. During the Construction Period, the Operator shall provide monthly progress reports to the Participants, which reports shall include information on any changes or developments affecting the Mine that the Operator considers are material.
- 20.03 The parties shall keep all information and data concerning or derived from the Mining Operations confidential and, except to the extent required by law, by regulation of any Securities Commission or Stock Exchange, or in connection with the filing of an annual information form, a prospectus or statement of material facts by any party or any of its Affiliates, shall disclose that information or data to any person other than an Affiliate without the prior consent of all the Participants, which consent shall not unreasonably be withheld.
- 20.04 The text of any news releases or other public statements which a party desires to make with respect to the Property shall be made available to the other parties prior to publication and the other parties shall have the right to make suggestion for changes therein.

**21. LIABILITY OF THE OPERATOR**

- 21.01 Subject to subsection 21.02, each party shall indemnify and save the Operator harmless from and against any loss, liability, claim, demand, damage, expense, injury and death (including without limiting the generality of the foregoing legal fees) resulting from any facts or omissions of the Operator or its officers, employees or agents.
- 21.02 Notwithstanding subsection 21.01, the Operator shall not be indemnified nor held harmless by any of the parties for any loss, liability, claim, demand, damage, expense, injury or death (including, without limiting the generality of the foregoing, legal fees) resulting from the negligence or willful misconduct of the Operator or its officers, employees or agents.
- 21.03 An act or omission of the Operator or its officers, employees or agents done or omitted to be done:

- (a) at the direction, or within the scope of the direction, of the Management Committee;  
or
- (b) with the concurrence of the Management Committee; or
- (c) unilaterally and in good faith by the Operator to protect life or property;

Shall be deemed not to be negligence or willful misconduct.

- 21.04 The obligation of the other parties to indemnify and save the Operator harmless pursuant to subsection 21.01 shall be in proportion to its Interest as at the date that the loss, liability, claim, demand, damage, expense, injury or death occurred or arise.
- 21.05 The Operator shall not be liable to any other party nor shall any party be liable to the Operator in contract, tort or otherwise for special or consequential damages, including, without limiting the generality of the foregoing, loss of profits or revenues.

## **22. INSURANCE**

- 22.01 Commencing on the Operative Date, the Management Committee shall cause the Operator to place and maintain with the reputable insurer or insurers such insurance, if any, as the Management Committee in its discretion deems advisable in order to protect the parties together with such other insurance as any Participant may by notice reasonably request. The Operator shall, upon the written request of any Participant, provide it with evidence of that insurance.
- 22.02 Subsection 22.01 shall not preclude any party from placing for its own account, insurance for greater or other coverage than that placed by the Operator.

## **23. RELATIONSHIP OF PARTIES**

- 23.01 The rights, duties, obligations and liabilities of the parties shall be several and not joint nor joint and several, it being the express purpose and intention of the parties that their respective interests shall be held as tenants in common.
- 23.02 Nothing herein contained shall be construed as creating a partnership of any kind or as imposing upon any party any partnership duty, obligation or liability to any other party hereto.

23.03 No party shall, except when required by this Agreement or by any law, by-law, ordinance, rule, order or regulation, use, suffer or permit to be used, directly or indirectly, the name of any other party for any purpose related to the Property.

## **24. PARTITION**

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

## **25. TAXATION**

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

## **26.01 FORCE MAJEURE**

26.01 If any Participant is prevented from or delayed in performing any obligation under this Agreement by any cause beyond its reasonable control, including only lack of finances, then, subject to subsection 26.02., the time for the performance of the obligation in question shall be extended for a period equivalent to the total period the cause of the prevention or delay persists or remains in effect regardless of the length of such total period.

26.02 Any party hereto claiming force majeure shall promptly notify the other parties to that effect and shall promptly take all reasonable steps to remedy the cause and effect of the force majeure described in the said notice. However, the party claiming force majeure by reason of any labour disturbance or dispute, strike or lockout shall not be required to accede to the demands of its opponents in any such labour disturbance or dispute, strike or lockout solely to remedy the force majeure thereby constituted.

26.03 The extension of time for the observance of conditions or performance of obligations as a result of force majeure shall not relieve the Operator from its obligations to keep the Property in good standing.

## **27. SURRENDER OF INTEREST**

27.01 any party may, at any time upon notice, surrender its entire Interest to the other parties by giving those parties notice of surrender which shall indicate a date for surrender not less than three months after the date on which the notice is given and contain an undertaking that the surrendering party will:

- (a) satisfy its proportionate share, based on its then Interest, of all obligations and liabilities which arose at any time prior to the date of surrender;
- (b) pay its proportionate share, based on its then interest, of the Costs or rehabilitating the Mine site and of reclamation as at the date of surrender and
- (c) hold in confidence, for a period two years from date of surrender, all information and data which it acquired pursuant to this Agreement.

27.02 Upon surrender of its entire Interest as contemplated in subsection 27.01 and upon delivery of a release in writing, in form acceptable to counsel for the Operator, releasing the other parties from all claims and demands hereunder, the surrendering party shall be relieved of all obligations or liabilities hereunder except for those which arise or accrued or were accruing due on or before the date of the surrender

27.03 A party to whom a notice of surrender has been given as contemplated in subsection 27.01 may elect, by notice within 90 days to the party which first gave the notice, to accept the surrender, in which case subsection 27.01 and 27.02 shall apply, or to join in the surrender. If all of the parties join in the surrender the Joint Operation shall be terminated in accordance with subsections 17.02 and 17.03.

## **28. RIGHT OF FIRST OFFER**

28.01 During the subsistence of this Agreement, none of the parties shall sell, assign, or in any other manner dispose or attempt to dispose of all or any portion of its Interest except as provided in sections 12 or 27 and as hereinafter provided in this section 28. A party wishing to sell or dispose of all or a portion of its interest (in this section 28 called the ADisposing Party<sup>®</sup>) may:

- (a) sell or dispose that Interest in the manner set out in subsection 28.02 to the Participants who elect to purchase the same, if more than one then in proportion to their respective Interests; or
- (b) sell or dispose that Interest to an Affiliate of the Disposing Party; provided however, that the Disposing Party shall provide a guarantee to the other parties, in form

reasonably satisfactory to counsel for the Operator, guaranteeing the obligations of the Affiliate under this Agreement and provided further, that the sale to the Affiliate shall be subject to the Affiliate entering into an agreement with the remaining Participants whereby it agrees to be bound by the provisions of this Agreement.

- 28.02 A Disposing Party will, prior to selling or disposing of the Interest other than to an Affiliate, first offer to sell the Interest to the Participants for cash consideration and upon such other terms and conditions as the Disposing Party deems fit. If, within 30 days of the Disposing Party's offer to sell, the Participants elect not to purchase the Interest upon those terms and conditions the Disposing Party will be free to dispose of that Interest to a third party at any time within six months of the Participants' election but only for a cash consideration, or for some consideration other than cash, provided that the fair cash equivalent of any non-cash consideration be equal to or greater than the cash consideration stated in the Disposing Party's offer to sell to the Participants, and upon no more favourable terms and conditions as the offer to sell to the Participants, provided however, that the sale of the interest to the third party shall be subject to the third party entering into an agreement with the Participants whereby it agrees to be bound by the provisions of this Agreement. Any Interest not disposed of by the Disposing Party aforesaid will remain subject to the provisions of this subsection.
- 28.03 Upon the Participants or a third party acquiring all or a portion of the Disposing Party's Interest, the Participants or the third party will be deemed to have acquired a corresponding portion of the Disposing Party's Prior Exploration Costs, Exploration Costs and Mine Costs. The third party will be entitled to all the rights and benefits accruing, and be subject to the same duties and obligations attributable to the Interest which it has purchased from the Disposing Party, including without limiting the generality of the foregoing, the right to participate in any further Exploration Costs and Mine Costs and the right to have its Interest increased or reduced in the same manner as the Disposing Party in the event the third party does not participate in Exploration Costs and Mine Costs.
- 28.04 Any dispute as to the fair cash equivalent of any non-cash consideration contemplated in subsection 28.02 shall be submitted to arbitration in British Columbia by a board of three arbitrators one of whom is to be appointed by each party to the dispute and the third of whom is to be appointed by the first two arbitrators. The arbitration shall be conducted in accordance with the provisions of the Commercial Arbitration Act of British Columbia, as amended from time to time.

## **29. NOTICE**

- 29.01 All invoices, notices, consents and demands (in this section 29 called the ANotice®) under this

Agreement shall be in writing and may be delivered personally, sent by fax or may be forwarded by first class prepaid registered mail to the address for each party specified for that purpose under the Option Agreement prior to the Operative Date or to such addresses as each party may from time to time specify by Notice. Any Notice delivered or sent by fax shall be deemed to have been given and received on the business day next following the day of delivery. Any Notice mailed as aforesaid shall be deemed to have been given and received on the fifth business day following the date it is posted; provided that if between the time of mailing and the actual receipt of the Notice there shall be a mail strike, slow down or other labour dispute which might affect mail delivery then the Notice shall be effective only if personally delivered or sent by fax.

### **30. WAIVER**

30.01 No waiver of any breach of this Agreement shall be binding unless evidenced in writing, executed by the party against whom charged. Any waiver shall extend only to the particular breach of waiver and shall not limit any rights with respect to any future breach.

### **31. AMENDMENTS**

31.01 This Agreement constitutes the entire Agreement between the parties hereto with respect to the Property. An amendment or variation of this Agreement shall only be binding upon a party if evidenced in writing executed by that party.

### **32. TERM**

32.01 Unless earlier terminated by agreement of all parties having an Interest or as a result of one party acquiring a 100 per cent Interest and 100 per cent interest in the Net Proceeds of Production, the Joint Operation and this Agreement shall remain in full force and effect for so long as any party has any right, title or interest in the Property. Termination of the Agreement shall not, however, relieve any party from any obligations theretofore accrued but unsatisfied, nor from its obligations with respect to rehabilitation of the Mine site and reclamation.

### **33. TIME OF ESSENCE**

33.01 Time is of the essence of this Agreement.



**34. SUCCESSORS AND ASSIGNS**

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

**35. GOVERNING LAW**

35.01 This Agreement shall be governed by and interpreted in accordance with the laws of the Province or British Columbia.

THE CORPORATE SEAL of **1177129** )  
**ALBERTA LTD.**, was hereunto affixed in the )  
presence of: )  
) )  
) )  
\_\_\_\_\_ )  
) )  
) )  
\_\_\_\_\_ )

C/S

THE CORPORATE SEAL of **ZADAR** )  
**VENTURES LTD.**, was hereunto affixed in )  
the presence of: )  
) )  
) )  
\_\_\_\_\_ )  
) )  
) )  
\_\_\_\_\_ )

C/S

APPENDIX I TO THE JOINT VENTURE AGREEMENT BETWEEN **1177129 ALBERTA LTD.**  
AND **ZADAR VENTURES LTD.** MADE AS OF THE 29TH DAY OF APRIL, 2010.

**1. INTERPRETATION**

1.01 The words, phrases and expressions shall have the following meaning:

- (a) **Accounting Procedure** means the accounting procedure described in Appendix II which is attached to and forms part of this Agreement.
- (b) **Affiliate** shall have the meaning attributed to it in the Business Corporations Act, S.B.C. c.57 as amended
- (c) **Assets** means all tangible and intangible goods, chattels, improvements or other items including, without limiting generality, land, buildings and equipment but excluding the Property acquired for or made to the Property under this Agreement.
- (d) **Completion Date** means the date on which it is demonstrated to the satisfaction of the Management Committee that the preparing and equipping of the Mine for commercial production is complete.
- (e) **Construction** means all Mining Operations carried out during the Construction Period by the Operator.
- (f) **Construction Period** means, unless the Production Notice is subsequently withdrawn, the period beginning on the date a Production Notice is given and ending on the Completion Date.
- (g) **Costs** means, except as to Prior Exploration Costs, all items of outlay and expense whatsoever, direct or indirect, with respect to Mining Operations, recorded by the Operator in accordance with this Agreement. Without limiting generality, the following categories of Costs shall have the following meanings:
  - (i) **Construction Costs** means those Costs recorded during the Construction Period, including without limiting generality, the Operator's fee contemplated in section 11 of the Agreement;
  - (ii) **Exploration Costs**: means those Costs recorded during the Exploration Period, including without limited generality, the Operator's fee contemplated in section 11 of the Agreement;

- (iii) **AMine Costs@** means Construction Costs and Operating Costs;
  - (iv) **AOperating Costs@** means those Costs recorded after the Completion Date, including without limiting generality, the AOperator=s fee contemplated in section 11; and
  - (v) **APrior Exploration Costs@** of each party means those deemed costs contemplated in Section 9.
- 
- (h) **AExploration Period@** means the period beginning the Operative Date and ending the date an effective Production Notice is given.
  - (i) **AFeasibility Report@** means that document or those documents consisting of reports, estimates, studies and financial analysis which together examine the feasibility of bringing into commercial production a deposit of Minerals and are prepared at the direction of the Management Committee and in such form and of such a standards as may be required by the Management Committee pursuant to this Agreement.
  - (j) **AInterest@** means an undivided beneficial interest in the Property, the Assets and any Mine.
  - (k) **AJoint Operation@** shall have the meaning attributed to it in subsection 2.01 of the Agreement.
  - (l) **AManagement Committee@** means the committee established pursuant to section 4 of the Agreement.
  - (m) **AMine@** means the workings established and Assets acquired, including without limiting generality, development headings, plant and concentrator installations, infrastructure, housing, airport and other facilities in order to bring the Property into commercial production in accordance with the Production Notice.
  - (n) **AMinerals@** means any and all ores (and concentrates derived therefrom) and minerals, precious and base, metallic and non-metallic, in, in or under the Property which may lawfully be explored for, mined and sold;
  - (o) **AMining Operations@** means every kind of work done by the Operator on or in respect of the Property by or under the direction of the Management Committee including, without limiting generality, investigating, prospecting, exploring, developing,

property maintenance, preparing reports, estimates and studies, designing, equipping, improving, surveying, construction and mining, milling, concentrating, rehabilitation, reclamation and environmental protection.

- (p) ANet Proceeds of Production<sup>®</sup> shall have the meaning attributed to it in Appendix III which is attached to and forms part of this Agreement.
- (q) AOperating Plan<sup>®</sup> means the plan contemplated by subsection 14.02 of the Agreement.
- (r) AOperating Year<sup>®</sup> means a calendar year unless otherwise designed by the Management Committee.
- (s) AOperative Date<sup>®</sup> means the date of the Joint Venture.
- (t) AOperator<sup>®</sup> means the party appointed as the Operator in accordance with section 5 of the Agreement.
- (u) AParticipant<sup>®</sup> means a party that is contributing to Exploration Costs or Mine Costs, as the case may be.
- (v) APrime Rate<sup>®</sup> means the rate of interest stated by the Bank of Montreal, Main Office, Vancouver, British Columbia, as being charged by it on Canadian dollar demand loans to its most creditworthy domestic commercial customers.
- (w) AProduction Notice<sup>®</sup> means a notice which is given to each of the parties by the Operator pursuant to subsection 8.04 of the Agreement.
- (x) AProgram<sup>®</sup> means the work plan and budget of Mining Operations conducted during the Exploration Period and adopted pursuant to subsection 7.02 of the Agreement.
- (y) AProperty<sup>®</sup> means the mineral properties that become subject to this Agreement on the Operative Date, any additional mineral properties that become part of the Property pursuant to this Agreement, the Minerals thereon, all information obtained from Mining Operations and those rights and benefits appurtenant to the Property that are acquired for the purpose of conducting Mining Operations.
- (z) AProportionate share<sup>®</sup> means that share which is equal to a party's percentage Interest.

- (aa) ASimple Majority@ means a decision made by a majority in excess of 50 percent of the votes entitled to be cast.
  - (bb) A\$@ means Canadian Dollars unless marked US in which case, it means United States Dollars.
- 1.02 The words Asection@, Asubsection@, Aparagraph@, Asub-paragraph@, Aherein@, Ahereto@ and Ahereunder@ refer to this Agreement. The word this AAgreement@ or the AAgreement@ means this Joint Venture Agreement.
- 1.03 The caption and the emphasis of the defined terms have been inserted for convenience and shall be disregarded in interpreting the Agreement.

APPENDIX II TO THE JOINT VENTURE AGREEMENT BETWEEN **1177129 ALBERTA LTD.**  
AND **ZADAR VENTURES LTD.** MADE AS OF THE 29<sup>TH</sup> DAY OF APRIL, 2010.

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**ACCOUNTING PROCEDURE**

**1. INTERPRETATION**

1.01 In this Appendix the following words, phrases and expressions shall have the following meanings:

- (a) **AAgreement@** means the Agreement to which this Accounting Procedure is attached as Appendix II.
- (b) **ACount@** means a physical inventory count.
- (c) **AEmployees@** means those employees of the Operator who are assigned to and directly engaged in the conduct of Mining Operations, whether on a full time or part time basis.
- (d) **AEmployee Benefits@** means the Operator's costs of holiday, vacation, sickness, disability benefits, field bonuses, paid to and the Operator's cost of established plans for employee's group life insurance, hospitalization, pension, retirement and other customary plans maintained for the benefit of Employees and Personnel, as the case may be, which costs may be charged as a percentage assessment on the salaries and wages of Employees or Personnel, as the case may be, on a basis consistent with the Operator's cost experience.
- (e) **AField Offices@** means the necessary sub-office or sub-offices in each place where a Program or Construction is being conducted or a Mine is being operated.

- (f) **AGovernment Contributions@** means the costs or contributions made by the Operator pursuant to assessments imposed by governmental authority which are applicable to the salaries or wages of Employees or Personnel, as the case may be.
- (g) **AJoint Account@** means the books of account maintained by the Operator to record all costs, expenses, credits and other transactions arising out of or in connection with the Mining Operations.
- (h) **AMaterial@** means the personal property, equipment and supplies acquired or held at the direction or with the approval of the Management Committee, for use in the Mining Operations, the costs of which was included in Costs under the Agreement.
- (i) **APersonnel@** means those management, supervisory, administrative, clerical and other personnel of the Operator normally associated with the Supervision Offices whose salaries and wages are charged directly to the supervision Office in question.
- (j) **AReasonable Expenses@** means the reasonable expenses of Employees or Personnel, as the case may be, for which those Employees or Personnel may be reimbursed under the Operator's usual expense account practice; including, without limiting the generality, any relocation expenses necessarily incurred in order to properly staff the Mining Operations if the relocation is approved by the Management Committee.
- (k) **ASupervision Offices@** means the Operator's offices or departments within the Operator's offices from which the Mining Operations are generally supervised.

## **2. STATEMENTS AND BILLINGS**

- 2.01 The Operator shall, by invoice, charge each participant with its proportionate share of Exploration Costs and Mine Costs in the manner provided in section 7 and 15 of the Agreement respectively.
- 2.02 The Operator shall deliver, with each invoice rendered for Costs incurred a statement indicating:
  - (a) all charges or credits to the Joint Account relating to Controllable Material in detail; and

- (b) all other charges and credits to the Joint Account summarized by appropriate classifications indicative of the nature of the charges and credits.

2.03 The Operator shall deliver with each invoice for an advance of Costs, a statements indicating:

- (a) the estimated Exploration Costs or, in the case of Mine Costs, the estimated cash disbursements, to be made during the next succeeding month;
- (b) the additional thereto or subtraction therefrom, as the case may be, made in respect of Exploration Costs or Mine Costs actually having been incurred in an amount greater or lesser than the advance which was made by each Participant for the penultimate month preceding the month of the invoice;
- (c) the advances made by each Participant to date and the Exploration Costs or Mine Costs incurred to the end of the penultimate month preceding the month of the invoice.

### **3. DIRECT CHARGES**

3.01 The Operator shall charge the Joint Account with the following items:

- (a) Contractor=s Charges: All proper costs relative to the Mining Operations incurred under contracts entered into by the Operator with third parties.
- (b) Labour Charges:
  - (i) The salaries and wages of Employees in an amount calculated by taking the full salary or wage of each Employee multiplied by that fraction which has as its numerator the total time for the month that the Employees were directly engaged in the conduct of Mining Operations and as its denominator the total normal working time or the month of the Employee;
  - (ii) the Reasonable Expenses of the Employees;
  - (iii) Employee Benefits and Government Contribution in respect of the employees in an amount proportionate to the charge made to the Joint Account in respect to their salaries and wages.



- (c) Office Maintenance:
- (i) The cost or a pro rata portion of the cost, as the case may be of maintaining and operating the field Offices and supervision Offices. The basis for charging the Joint Account for office maintenance costs shall be as follows:
    - (A) the expense of maintaining and operating Field offices, less any revenue therefrom;
    - (B) that portion of maintaining and operating the supervision Offices which is equal to:
      - (1) the anticipated total operating expenses of the Supervision Offices;
      - divided by
      - (2) the anticipated total staff man days for the employees whether in connection with the Mining Operations or not;
      - multiplied by
      - (3) the actual total time spent on the Mining Operations by the Employee expressed in man days.
  - (ii) Without limiting generality, the anticipated total operating expenses of the supervision offices shall include:
    - (A) the salaries and wages of the Operator-s Personnel which have been directly charge dot those Offices;
    - (B) the Reasonable Expenses of the Personnel;
    - (C) Employee Beneficial and Government Contributions in respect of the Personnel.
  - (iii) The Operator shall make an adjustment in respect of the office maintenance cost forthwith after the end of each Operating year upon having determined the actual operating expense and actual total staff man days referred to in clause 3.01(c)(I)(B) of this Appendix II.

- (d) **Material:** Material purchased or furnished by the Operator for use on a Property as provided under section 6 of this Appendix II.
- (e) **Transportation Charges:** The cost of transporting Employees and material necessary for the Mining Operations.
- (f) **Service Charges:**
  - (i) The cost of services and utilities procured from outside sources other than services covered by paragraph 3.01(I). The costs of consultant services shall not be charges to the Joint Account unless the retaining of the consultant is approved in advance by the Management Committee;
  - (ii) Use and service of equipment and facilities furnished by the Operator as provided in subsection 4.05 of this appendix II.
- (g) **Damages and Losses to Joint Property:** All costs necessary for the repair or replacement of Assets made necessary because of damages or losses incurred by fire, flood, storm, theft, accident or other cause. The Operator shall furnish each Participant with written particulars of the damages or losses incurred as soon as practicable after the damage or loss have been discovered. The proceeds, if any received of claims against any policies of insurance in respect of those damages or losses shall be credited to the Joint Account.
- (h) **Legal Expenses:** All costs of handling, investigating and settling litigation or recovering the Assets, including without limiting generality, attorney-s fees, court costs, costs of investigation or procuring evidence and amounts paid in settlement or satisfaction or any litigation or claims; provided however, that unless otherwise approved in advance by the Management Committee, no charge shall be made for the services of the Operator-s legal staff or the fees and expense of outside solicitors.
- (i) **Taxes:** All taxes, duties or assessments of every kind and nature (except income taxes) assessed or levied upon or in connection with a Property, the Mining Operations thereon, or the production therefrom, which have been paid by the Operator for the benefit of the parties.
- (j) **Insurance:** Net premiums paid for

- (i) such policies of insurance on or in connection with the Mining Operations as may be required to be carried by law;
- (ii) such other policies of insurance as the Operator may carry for the protection of the parties in accordance with the Agreement;

the applicable deductibles in event of an insured loss.

- (k) Rentals: Fees, rentals and other similar charges required to be paid for acquiring, recording and maintaining permits, mineral claims and mining leases and rentals and royalties which are paid as a consequence of the Mining Operations.
- (l) Permits: Permit costs, fees and other similar charges which are assessed by various governmental agencies.
- (m) Other Expenditures: Such other costs and expense which are not covered or dealt within the foregoing provision of this subsection 3.01 of this Appendix II as are incurred with the approval of the Management Committee for the necessary and proper conduct of the Mining Operations or as may be contemplated in this Agreement.

#### **4. PURCHASE OF MATERIAL**

- 4.01 Subject to subsection 4.04 of this Appendix II the Operator shall purchase all Materials and procure all services required in the Mining Operations.
- 4.02 Materials purchased and services procured by the Operator directly for the Mining Operations shall be charged to the Joint Account at the price paid by the Operator less all discounts actually received.
- 4.03 So far as it is reasonably practical and consistent with efficient and economical operations, the Operator shall purchase, furnish or otherwise acquire only such Material and Assets as may be required for immediate use. The Operator shall attempt to minimize the accumulative of surplus stocks of Material.
- 4.04 Any Participant may sell Material or services required in the Mining Operations to the Operator for such price and upon such terms and conditions as the Management Committee may approve.

- 4.05 Notwithstanding the foregoing provision of this section 4, the Operator shall be entitled to supply for use in connection with the Mining Operations equipments and facilities which are owned by the Operator and to charge the Joint Account with reasonable costs commensurate with the ownership and use thereof.

## **5. DISPOSAL OF MATERIALS**

- 5.01 The Operator, with the approval of the Management Committee, may sell any Material which has become surplus to the foreseeable needs to the Mining Operating for the best price and upon the most favourable terms and conditions available.
- 5.02 Any Participant may purchase from the Operator any material which may become surplus to the foreseeable needs of the Mining Operations for such price and upon such terms and conditions as the Management Committee may approve.
- 5.03 Upon termination of the Agreement, the Management Committee may approve the division of any Material held by the Operator at that date may be made between the Participants in kind or be taken by a participant in lieu of a portion of its proportionate share of the net revenues received from the disposal of the Assets and Property. If the division to a Participant be in lieu, it shall be for such price and on such terms and conditions as the Management Committee may approve.
- 5.04 The net revenues received from the sale of any Material to third parties or to a Participant shall be credited to the Joint Venture.

## **6. INVENTORIES**

- 6.01 The Operator shall maintain record of Material in reasonable detail.
- 6.02 The Operator shall perform Counts from time to time at reasonable intervals and in connection therewith shall give notice of its intention to perform a Count to each Participant at least 30 days in advance of the date set for performing of the Count. Each Participant shall be entitled to be represented at the performing of a Count upon giving notice thereof to the Operator within 20 days of the Operator's notice. A Participant who is not represented at the performing of the Count shall be deemed to have approved the Count as taken.
- 6.03 forthwith after performing a Count, the Operator shall reconcile the inventory with the Joint Account and provide each participant with a statement listing the overages and shortages.

The Operator shall not be held accountable for any shortages of inventory except such shortages as may have arisen due to a lack of diligence on the party of the Operator.

## **7. ADJUSTMENTS**

- 7.01 Payment of any invoice by a Participant shall not prejudice the right of that Participant to protest the correctness of the statement supporting the payment. All invoices and statements presented to each Participant by the Operator during any Operating Year shall conclusively be presumed to be true and correct upon the expiration of 12 months following the end of the Operating Year to which the invoice or statement relates, unless within that 12 month period the Operator gives the Participant notice claiming an adjustment to the invoice or statement.
- 7.02 The Operator shall not adjust any invoice or statement in favour of itself after the expiration of 12 months following the end of the Operating Year to which the invoice or statement relates.
- 7.03 Notwithstanding subsections 7.01 and 7.02 of this Appendix II, the Operator may make adjustments to an invoice or statement which arise out of a physical inventory of Material or Assets.
- 7.04 A Participant shall be entitled upon notice to the Operator to request that the independent external auditors of the Operator provide that Participant with their opinion that any invoice or statement delivered pursuant to the Agreement in respect of the period referred to in subsection 7.01 of this Appendix II has been prepared in accordance with this Agreement.
- 7.05 The time for giving the audit opinion contemplated in subsection 7.04 of this Appendix II shall not extend the time for the taking of exception to and making claim on the Operator for adjustment as provided in subsection 7.02 of this Appendix II.
- 7.06 The cost of the auditor's opinion referred to in subsection 7.04 of this Appendix II shall be solely for the account of the Participant requesting the auditor's opinion, unless the audit disclosed a material error adverse to that Participant, in which case the cost shall be solely for the account of the Operator.

APPENDIX III TO THE JOINT VENTURE AGREEMENT BETWEEN **1177129 ALBERTA LTD.** AND **ZADAR VENTURES LTD.** MADE AS OF THE 29TH DAY OF APRIL, 2010.

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**NET PROCEEDS OF PRODUCTION**

**1. OBLIGATION**

- 1.01 If any Assigning Party (the ARoyalty holder<sup>®</sup>) becomes entitled to a royalty pursuant to section 10 of the Agreement, each Participant shall separately calculate, as at the end of each calendar quarter subsequent to the Completion Date, the Net Proceeds of Production.
- 1.02 Each Participant shall within 60 days of the end of each calendar quarter, as and when any net Proceeds of Production are available for distribution:
- (a) severally pay or cause to be paid to each Royalty holder that percentage of the net Proceeds of Production to which that Royalty holder is entitled under section 10 of the Agreement;
  - (b) deliver to each Royalty holder a statement indicating:
    - (i) the Gross Receipts during the calendar quarter;
    - (ii) the deductions therefrom made in the order itemized in subsection 3.01 of this Appendix III;
    - (iii) the amount of the Net Proceeds of Production remaining;
    - (iv) the amount of those Net Proceeds of Production to which that Royalty holder is entitled;

Provided however, that until such time as there are Net Proceeds of Production available, each participant shall deliver to each Royalty holder, within 60 days of the end of each calendar quarter commencing with the first calendar quarter following

the Completion Date, a statement indicating the Gross Receipts during the calendar quarter less the deductions therefrom made in the order itemized in subsection 3.01 of this Appendix III.

- 1.03 Nothing contained in the Agreement or this Appendix shall be construed as imposing on a Participant any obligation with respect to the payments of royalty due hereunder to a Royaltyholder from any other Participant; conferring on any Royaltyholder any right to or interest in any property or Assets except the right to receive royalty payments from each Participant as and when due.
- 1.04 The Participants agree that on request of any Royaltyholder they will execute and deliver such documents as may be necessary to permit that Royaltyholder to record its royalty right against the property.

## **2. DEFINITIONS**

- 2.01 In addition to the definitions of the classes of Costs provided in paragraph 1.01(g) of the Agreement and without limiting the generality thereof:
- (a) **ADistribution Costs<sup>®</sup>** means all Costs of:
- (i) transporting ore and concentrates from a Mine or a concentrating plant to a smelter or other place of deliver designated by the purchaser and, in the case of concentrates tolled, of transporting the metal from a smelter to the place of delivery designated by the purchaser;
  - (ii) handling warehousing and insuring the concentrates and metal;
  - (iii) in the case of concentrates tolled, of smelting and refining, including any penalties thereon or in connection therewith;
- (b) **AInterest Costs<sup>®</sup>** means interest computed quarterly and not in advance and being the aggregate of the interest determined for each month in the quarter as follows:
- (i) the opening monthly outstanding balance for each month of the net unrecovered amounts of all Costs in the classes enumerated in subparagraphs 1.01(g)(I), (ii), (iv) and (v) of the Agreement, and in paragraph 2.01(a), (b), (c) and (d) of this Appendix III;

plus

- (ii) the closing monthly outstanding balance for each month of the net unrecovered amounts of all Costs in the classes enumerate sub-paragraphs 1.01(g)(I), (ii), (iv) and (v) of the Agreement, and in paragraph 2.01(a), (b), (c) and (d) of this Appendix III;

divided by

- (iii) two

multiplied by

- (iv) the Prime Rate plus two per cent

multiplied by

- (v) the number of days in the month

divided by

- (vi) the number of days in the Year.

- (c) **AMarketing Costs@** means such reasonable charge for marketing of ores and concentrates sold or of concentrates tolled as is consistent with generally accepted industry marketing practices; and

- (d) **ATaxes and Royalties@** means all taxes (other than income taxes), royalties or other charges or imposts provided for pursuant to any law or legal obligation imposed by any government.

2.02 Wherever used in this Appendix III, **AGross Receipts@** means the aggregate of all receipts, recoveries or amounts received by or credited to a Participant in connection with its participation under the Agreement including, without limiting the generality of the foregoing:

- (a) the receipts from the sale by the Participant of the Minerals produced from the Mine together with interest on those receipts computed quarterly and not in advance and being the aggregate of the interest determined for each month in the quarter as follows:



- (i) the aggregate of that quarter's daily receipts as at the opening of the month;  
plus
  - (ii) the aggregate of that quarter's daily receipts as at the closing of the month;  
divided by
  - (iii) two  
multiplied by
  - (iv) the Prime Rate  
multiplied by
  - (v) the number of days in the month  
divided by
  - (vi) the number of days in the Year.
- (b) all proceeds received from the sale of the Property or Assets subsequent to the Operative Date;
  - (c) all insurance recoveries (including amounts received to settle claims) in respect of loss of, or damage to any portion of the Property or assets subsequent to the Operative Date;
  - (d) all amounts received as compensation for the expropriation or forceable taking of any portion of the Property or Assets subsequent to the Operative Date;
  - (e) the fair market value at the Property of those Assets, if any, purchased for the Joint Account, that are transferred from the Property for use by a Participant elsewhere subsequent to the Operative Date;
  - (f) the amount of any negative balance remaining after the reallocation of negative balances pursuant to subsection 3.03 of this Appendix III;

To the extent that those receipts, recoveries or amounts have not been applied by the Participant as a recovery of any of the classes of Costs itemized in subsection 3.01 of this Appendix III.

### **3. NET PROCEEDS OF PRODUCTION**

3.01 ANet Proceeds of Production<sup>®</sup> means the Gross receipt minus deductions therefrom, to the extent of but not exceeding the amount of those Gross Receipts, of the then net unrecovered amounts of the following classes of Costs made in the following itemized order:

- (a) Marketing Costs;
- (b) Distribution Costs;
- (c) Operating Costs;
- (d) Taxes and Royalties;
- (e) Interest Costs;
- (f) Construction Costs;
- (g) Exploration Costs; and
- (h) Prior Exploration Costs.

The deductions in respect of the Costs referred to in paragraphs 3.01(a), (b), (d) if paid or payable by the Participant; and (e) of this Appendix III shall be based on those Costs as recorded by that Participant and the deductions in respect of the Costs referred to in paragraphs 3.01(c), (d) if paid or payable by the Operator; (f), (g) and (h) of this Appendix III shall be based on that Participant's proportionate share of those Costs as recorded by the Operator.

2.02 For greater certainty, in calculating Net Proceeds of Production at any time, each of the classes of Costs shall constitute a separate pool from which all Costs deducted on any previous quarterly calculation shall be removed and to which, in the case of all classes of Costs, excepting Prior Exploration Costs, Costs of those classes recorded since the Operate Date (in the case of the first quarterly calculation) or since the date of the last quarterly

calculation (in the case of any calculation subsequent to the first quarterly calculation) shall be added.

- 3.03 If the application of credits to a pool. Of Costs resulting in a negative balance in that pool of Costs, the amount of any negative balance from a Cost pool shall be applied to reduce the balances then remaining in pools itemized in subsection 3.01 of this Appendix III in the order itemized.

#### **4. ADJUSTMENTS AND VERIFICATION**

- 4.01 Payment of any Net Proceed of Production by a Participant shall not prejudice the right of that Participant to adjust the statement supporting the payment. However all statements presented to the Royaltyholder by that Participant for any quarter shall conclusively be presumed to be true and correct upon the expiration of 12 months following the end of the quarter to which the statement relates, unless within that 1 month period that Participant gives notice to the Royaltyholder claiming for an adjustment to the statement. The adjustment will be reflected in subsequent payment of Net Proceeds of Production.
- 4.02 The Participant shall not adjust any statement in favour of itself after the expiration of 12 months following the end of the quarter to which the statement relates.
- 4.03 The Royaltyholder shall be entitled upon notice to any Participant to request from any Participant that the auditors of that Participant provide the Royaltyholder with their opinion that any statement delivered pursuant to subsection 1.01 of this Appendix III in respect of any quarterly period failing within the 12 month period immediately preceding the date of the Royaltyholder's notice has been prepaid in accordance with this Agreement.
- 4.04 The time required for giving the audit opinion contemplated in subsection 4.03 of this Appendix III shall not extend the time for claiming an adjustment as provided in subsection 4.01 of this Appendix III.
- 4.05 The cost of the auditor's opinion referred to in subsection 4.03 of this Appendix III shall be solely for the account of the Royaltyholder requesting the auditor's opinion, unless the audit discloses a material error adverse to the Royaltyholder, in which case the cost shall be solely for the account of the Participant.