

OPTION AND JOINT VENTURE AGREEMENT

between

GORILLA MINERALS CORP.

and

FIRST FERRO MINING LTD.

on

Wels Gold Project, Yukon Territory

January 7, 2014

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Schedules:

- Schedule “A” – Property
- Schedule “B” – Accounting Procedure
- Schedule “C” – Net Proceeds of Production
- Schedule “D” –Feasibility Study Definition
- Schedule “E” – Area of Interest

OPTION AND JOINT VENTURE AGREEMENT

This Option and Joint Venture Agreement is made as of January 7, 2014.

BETWEEN:

GORILLA MINERALS CORP., a company incorporated under the laws of British Columbia, having its head office at 2000 – 1177 West Hastings Street, Vancouver, British Columbia V6E 2K3;

("Gorilla" or the "Optionor" or the "Operator")

AND:

FIRST FERRO MINING LTD., a company incorporated under the laws of British Columbia, having its head office at 2101 – 1455 Howe Street, Vancouver, British Columbia V6Z 1C2;

("First Ferro" or the "Optionee")

WHEREAS:

A. By an agreement dated June 6, 2011 with R. Hulstein and F. Anderson, Gorilla holds an undivided approximate 40% interest in the Property (as later defined).

B. Gorilla wishes to grant First Ferro an option to acquire the interest in the Property and First Ferro wishes to acquire the option from Gorilla on the terms and conditions of this Agreement.

C. By the Arrangement Agreement (as later defined), Gorilla, First Ferro and the Subsidiary have agreed to enter into this option and joint venture agreement.

D. This option and joint venture agreement is intended to formalize the terms of the option referred to above.

NOW THEREFORE, in consideration of the foregoing and the mutual covenants and agreements herein contained, the receipt and sufficiency of which is hereby acknowledged, and upon and subject to the terms and conditions hereafter set out, the parties agree as follows:

1. DEFINITIONS

1.1 Defined Terms

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

- (a) "**Accounting Procedure**" has the meaning attributed in Section 2.10;
- (b) "**Affiliate**" has the meaning attributed to it in the *Business Corporations Act* (British Columbia) as amended from time to time;

- (c) **"Agreement"** means this option and joint venture agreement, together with the schedules attached hereto, as amended or supplemented from time to time;
- (d) **"Applicable Laws"** means any and all federal, provincial, state, territorial or municipal laws, statutes, regulations, by-laws, ordinances, rules, guidelines, policies, notices, orders and directions, or other requirements of any Government Authority having jurisdiction over the parties, the Joint Venture or the Property;
- (e) **"Area of Interest"** means that area which is set out in Schedule "E" attached hereto;
- (f) **"Arrangement"** means the statutory plan of arrangement included as a schedule to the Arrangement Agreement;
- (g) **"Arrangement Agreement"** means the arrangement agreement dated January 7, 2014 among Gorilla, First Ferro and the Subsidiary, which agreement includes a statutory plan of arrangement;
- (h) **"Assets"** mean all tangible and intangible goods, chattels, improvements or other items including, without limitation, land, buildings and equipment, acquired by or on behalf of a party with respect to the Property;
- (i) **"Budget"** has the meaning attributed in Section 7.8;
- (j) **"Business Day"** means a day, other than a Saturday or a Sunday, on which banks are generally open for business in the city in which the executive office of the Operator is located;
- (k) **"Cash Calls"** has the meaning attributed in Section 8.4;
- (l) **"Commercial Production"** means the operation of the Property or any part thereof as a Mine; but does not include milling for the purpose of testing or milling by a pilot plant. Commercial Production shall be deemed to have commenced on the date set forth in any Third-Party Financing or, in the absence thereof, on the first day of the month following the last day of a period of 30 consecutive days in which Minerals have been produced from the Property at an average rate of not less than 75% of the initial rated capacity of a Mine;
- (m) **"Completion Date"** means the date specified in any Third-Party Financing or, in the absence thereof, by the Management Committee, as the date of completion of the Construction Program and attainment of Commercial Production of Minerals from a Mine;
- (n) **"Construction"** means every kind of work or activity carried out or performed during the Construction Period by the Operator to implement a Production Notice;
- (o) **"Construction Period"** means the period beginning on the date a Production Notice is given and ending on the Completion Date;

- (p) **“Construction Program”** means a Program of Construction to bring the Property or any part thereof into Commercial Production pursuant to the Feasibility Study and to be carried out during the Construction Period;
- (q) **“Costs”** means all costs and expenses whatsoever, direct or indirect (including, without limitation, the indirect charges of the Operator permitted under Section 2.9), with respect to the Property, recorded by the Operator in accordance with this Agreement. Without limitation, the following categories of Costs shall have the following meanings:
 - (i) **“Construction Costs”** means those Costs incurred by or on behalf of the Operator on Construction during the Construction Period;
 - (ii) **“Exploration Costs”** means those Costs incurred by or on behalf of the Operator during the Exploration Period together with those deemed Costs or expenditures, if any, of the parties specified in this Agreement;
 - (iii) **“Non-Discretionary Costs”** means the non-discretionary costs contemplated in Section 16.2; and
 - (iv) **“Production Costs”** means those Costs incurred by or on behalf of the Operator subsequent to the Completion Date;
- (r) **“CSE”** means the Canadian Securities Exchange;
- (s) **“CSE Listing Date”** means the date on which the securities of the Subsidiary are approved for listing on the CSE;
- (t) **“Environmental Laws”** means all Applicable Laws currently in effect relating to pollution or protection of the environment, health, safety or natural resources, including, without limitation, the use, consumption, handling, transportation, storage or Release of Hazardous Substances;
- (u) **“Environmental Order”** means any prosecution, order, decision, notice, direction, report, recommendation or request issued, rendered or made by any Governmental Authority in connection with Environmental Laws or environmental orders;
- (v) **“Exploration Operations”** means those Operations conducted on the Property during the Exploration Period directed towards ascertaining the existence, location, quantity or commercial value of Minerals;
- (w) **“Exploration Period”** means the period beginning on the Operative Date and ending on the date a Production Notice is given;
- (x) **“Exploration Program”** means a Program of proposed Exploration Operations during the Exploration Period;
- (y) **“Feasibility Study”** has the meaning attributed in Schedule “D”;
- (z) **“Final Deadline”** has the meaning attributed in Section 2.1(a);

- (aa) **"First Ferro"** means First Ferro Mining Ltd.;
- (bb) **"IFRS"** means International Financial Reporting Standards;
- (cc) **"Gorilla"** means Gorilla Minerals Corp.;
- (dd) **"Governmental Authority"** means any government or governmental, administrative, regulatory or judicial body, department, commission, authority, tribunal, agency or entity;
- (ee) **"Hazardous Substance"** means any substance, combination of substances or by-product of any substance which is or may become hazardous, toxic, injurious or dangerous to any person, property, air, land, water, flora, fauna or wildlife; and includes but is not limited to contaminants, pollutants, wastes and dangerous, toxic, deleterious or designated substances as defined in or pursuant to any Environmental Laws or Environmental Orders;
- (ff) **"Interest"** means an undivided beneficial interest in the Property and the Assets located thereon;
- (gg) **"Interim Deadline"** has the meaning attributed in Section 2.1(a);
- (hh) **"Joint Venture"** has the meaning attributed in Section 2.6;
- (ii) **"Licences"** means any licences or permits (including, without limitation, water licences, surface leases, winter roads and rights of way) and any additional royalties that, hereafter, may affect the Property;
- (jj) **"Losses"** means actual losses, liabilities, damages, injuries, costs or expenses, including legal costs as expenses, suffered or incurred by the respective party;
- (kk) **"Management Committee"** means the committee established pursuant to Section 5;
- (ll) **"Mine"** means the workings established and Assets acquired, obtained or constructed in order to bring the Property, or any portion thereof, into, and to maintain, Commercial Production in accordance with a Production Notice, including, without limitation, mine development openings, plant and service facilities, concentrator and other metallurgical installations, tailings impoundments, infrastructure, housing and other related facilities;
- (mm) **"Mine Maintenance Plan"** means a plan submitted to the Participants by the Operator pursuant to Section 15.1;
- (nn) **"Mine Closure Plan"** means a plan submitted to the Participants by the Operator pursuant to Section 15.2;
- (oo) **"Minerals"** means any and all ores (and concentrates or metals derived therefrom) of precious, base or industrial minerals, which, for greater certainty includes gold, diamonds, sapphires and all other precious or semi-precious stones, in, on or under the Property which may lawfully be explored for, mined

and sold by the parties pursuant to the instruments of title under which the Property are held;

- (pp) **“Mining Operations”** means those Operations conducted on the Property, or any portion thereof, directed towards the mining, extracting, producing, handling, milling, concentrating, processing or other beneficiation of Minerals;
- (qq) **“Mining Recorder”** means the Governmental Authority with the authority to administer the title to Mineral rights on, in or under the Property;
- (rr) **“Operating Plan”** means a plan submitted to the Participants by the Operator pursuant to Section 13.2;
- (ss) **“Operating Year”** means, unless the Management Committee approves, by special majority, any other period, a calendar year except that the first Operating Year shall comprise the period from the Completion Date to the end of that calendar year;
- (tt) **“Operations”** means every kind of work done, or activity performed, by the Operator on or in respect of the Property to carry out or complete work contemplated by a Program, a Production Notice, or an Operating Plan, or as otherwise directed by the Management Committee, or pursuant to a mandatory program contemplated in Section 16.2, including, without limitation, investigating, prospecting, exploring, and developing; property maintenance; reviewing technical information; preparing and completing reports, estimates and studies (including environmental and feasibility studies); signing, equipping, improving and surveying; Construction; and, mining, milling, concentrating, rehabilitation, reclamation, and environmental protection; and further including the management and administration necessary to conduct and maintain records of the work or activity aforesaid;
- (uu) **“Operative Date”** has the meaning attributed in Section 2.6;
- (vv) **“Operator”** means, at any time prior to the Operative Date, Gorilla Minerals Corp. and, at any particular time on or after the Operative Date, the party acting as the Operator of the Joint Venture pursuant to Section 6;
- (ww) **“Option”** has the meaning attributed in Section 2.2(a);
- (xx) **“Option Payment”** has the meaning attributed in Section 2.2(a);
- (yy) **“Option Period”** means the period from the date of this Agreement to the earlier of the Operative Date and the expiry or termination of the Option unexercised;
- (zz) **“Optionee”** means First Ferro or its successor or permitted assign;
- (aaa) **“Optionor”** means Gorilla or its successor or permitted assign;
- (bbb) **“Participant”** means a party that is contributing, or entitled to contribute funding for Costs;

- (ccc) **"party"** or **"parties"** means First Ferro and Gorilla and their respective successors and permitted assigns which become parties to this Agreement;
- (ddd) **"Prime Rate"** means at any particular time, the reference rate of interest, expressed as a rate per annum that the Bank of Canada establishes as its prime rate of interest;
- (eee) **"Production Notice"** means a notice given by the Operator pursuant to Section 9.5(a);
- (fff) **"Production Recommendation"** has the meaning attributed in Section 9.2;
- (ggg) **"Program"** means a plan and budget of proposed Operations on or after the Operative Date;
- (hhh) **"Property"** means the Crown-granted mineral claims located in the Yukon Territory detailed in Schedule "A", the Minerals thereon, all information obtained from the Operations and those rights and benefits appurtenant to the Property, other than royalties but including, without limitation, surface rights, land use permits, leases and water rights that become subject to this Agreement;
- (iii) **"Property Report"** means the technical report relating to the Property prepared in compliance with National Instrument 43-101 – Standards of Disclosure for Minerals Properties, to be addressed and delivered to First Ferro;
- (jjj) **"Proportionate Share"** means that share which is equal to a party's interest expressed as a percentage;
- (kkk) **"Release"** includes abandon, add, deposit, discharge, disperse, dispose, dump, emit, empty, escape, leach, leak, migrate, pour, pump, release or spill;
- (lll) **"Royalties"** means, at the date hereof, the royalties created by statute and any additional royalties that hereafter may affect the Property;
- (mmm) **"Shutdown and Reclamation Costs"** has the meaning attributed in Section 15.6;
- (nnn) **"Shutdown and Reclamation Fund"** has the meaning attributed in Section 15.6;
- (ooo) **"Simple Majority"** means a decision made by the Management Committee by a majority in excess of 50% of the votes present at a meeting and entitled to be cast;
- (ppp) **"Special Majority"** means a decision made by the Management Committee by a majority equal to or in excess of 66 2/3% of the votes present at a meeting and entitled to be cast;
- (qqq) **"Subsidiary"** means European Ferro Metals Ltd., the subsidiary of Gorilla to be incorporated solely for the purpose of effecting the Arrangement;
- (rrr) **"Technical Data"** has the meaning attributed in Section 26.2; and

(sss) **“Third-Party Financing”** has the meaning attributed in Section 25.

1.2 General

In this Agreement, words importing gender include all genders, words importing the singular number only include the plural and vice versa, and any reference to any statute is deemed to extend to and include any amendment or re-enactment of such statute.

1.3 Headings, Etc.

The division of this Agreement into Sections, subsections and other subdivisions and the insertion of headings are for convenience of reference only and shall not affect or be utilised in the construction or interpretation of this Agreement.

1.4 Currency

All references in this Agreement to dollars, unless otherwise specifically indicated, are expressed in United States dollars.

1.5 Severability

Any Section, subsection or other subdivision of this Agreement and any other provision of this Agreement which is, or becomes, illegal, invalid or unenforceable shall be severed from this Agreement and be ineffective to the extent of such illegality, invalidity or unenforceability and shall not affect or impair the spirit or intent of the remaining provisions hereof.

1.6 Schedules

The following schedules and appendices are incorporated by reference into this Agreement:

| <u>Schedule</u> | <u>Description</u> |
|-----------------|------------------------------|
| “A” | The Property |
| “B” | Accounting Procedure” |
| “C” | Net Proceeds of Production |
| “D” | Feasibility Study Definition |
| “E” | Area of Interest |

2. **GRANT AND EXERCISE OF OPTION**

2.1 Grant and Exercise of the Option

(a) Gorilla hereby irrevocably grants to First Ferro the sole and exclusive right to earn a 40% Interest in the Property (the **“Option”**) by making the following payments:

(i) \$18,000 payable as follows:

A. \$7,500 (the **“Property Deposit”**) on execution of the Arrangement Agreement, and

- B. the \$10,500 balance (the “**Property Balance**”) less the cost of the Property Report, within 5 days of the CSE Listing Date;
 - (ii) \$100,000 payable by June 30, 2014 at the option of First Ferro;
 - (iii) \$100,000 payable by December 31, 2014 at the option of First Ferro;
 - (iv) \$100,000 payable by June 30, 2015 at the option of First Ferro; and
 - (v) \$100,000 payable by December 31, 2015 at the option of First Ferro.
- (each an “**Option Payment**” and collectively the “**Option Payments**”)

On payment of the Property Deposit, First Ferro will also deposit the \$10,500 Property Balance in trust with its solicitors and First Ferro shall irrevocably direct its Solicitors to pay the Property Balance to Gorilla within five days of the CSE Listing Date if that date occurs within 60 days of closing of the Arrangement Agreement, and if later the Property Balance shall be returned to First Ferro. Upon all the Option Payments being paid under this Section 2.1(a), First Ferro shall be deemed to have earned 40% of Gorilla’s interest in the Property.

- (b) Each of the dates specified in Section 2.1(a) above (except the last date) is referred to as an “Interim Deadline” and the last date so specified is referred to as the “Final Deadline”. If each of the above payments has not been made in full on or before its respective Interim Deadline or Final Deadline (as the case may be), the Option shall terminate and be of no further force or effect.
- (c) When and if First Ferro has paid all the payments on or before the Final Deadline in accordance with Section 2.1(a), First Ferro shall be deemed to have duly exercised the Option and earned a 40% Interest in the Property, free and clear of all encumbrances other than the Royalties or arising out of the acts of Gorilla, and the Joint Venture shall be established in accordance with Section 2.6.
- (d) Promptly after the exercise of the Option by First Ferro, Gorilla shall convey an undivided 40% Interest in and to the Property to First Ferro as a tenant in common and, prior to such transfer, Gorilla shall hold the legal title to such Interest in trust for First Ferro until: (i) the parties have received all consents or approvals required to transfer such legal title to First Ferro, and (ii) such interest has been duly registered or recorded with the office of the Mining Recorder.

2.2 Exploration During Option Period

- (a) During the Option Period, Gorilla shall be the Operator of the Property and as such shall be responsible in its reasonable discretion for carrying out and administering exploration, development and mining work on the Property, subject to Section 2.3(b). Gorilla shall have the sole, exclusive and immediate right to enter upon and work the Property and have quiet and exclusive possession of the Property, subject to Section 2.3(b) and the rights of First Ferro under this Agreement to enter in, upon or under the Property to inspect same. During the Option Period, Gorilla shall be entitled to charge a management fee of 10% on all Option Payments, save and except in the case of single third-party contracts having a total value of greater than \$50,000 in which case the management fee

will be 5%, which fee shall be included in the calculation of Option Payments for the purposes of Sections 2.1 and 2.2.

- (b) During the Option Period, an exploration committee shall be established, the members of which shall consist of one representative appointed by Gorilla who shall have knowledge of the expenditures being incurred by Gorilla pursuant to Sections 2.1(a) and 2.2 and one representative appointed by First Ferro. The exploration committee shall meet at least once each year during the Option Period within 30 days following the delivery of Gorilla's report on work completed on the Property during the immediately preceding year as contemplated in Section 2.3 and at such other times as either party may reasonably request from time to time upon not less than 14 days' notice to address matters relating to the work being conducted by Gorilla on the Property. Gorilla shall provide to First Ferro information concerning the amounts being expended on the Property at such time and the purposes of such expenditures. All expenditures shall be approved by the exploration committee provided that, in the event of a tie, the Gorilla representative shall have a casting vote. Exploration committee meetings shall be held at Vancouver, BC or at such other place or in such other manner as the parties may mutually agree, acting reasonably. For greater certainty, each party shall be entitled to have such other of its representatives as it deems appropriate participate in such meetings of the exploration committee.

2.3 Obligations of Gorilla as Operator During Option Period

- (a) During the Option Period, Gorilla as Operator shall provide First Ferro with: (A) during periods of active exploration or periods of receipt of exploration results, brief monthly reports indicating the status of all work on the Property and a summary of all results obtained or received by Gorilla in connection with all work in respect of the Property; (B) an annual report within 30 days following the end of each calendar year indicating all results obtained or received by Gorilla in connection with the work on the Property and the compilation and interpretation thereof as well as a breakdown of the Option Payments incurred in carrying out such work for such time period and conclusions of drilling results; and (C) forthwith upon the occurrence of any material results or other events, timely reports and information, including any technical reports prepared in accordance with Applicable Laws, and notice in reasonable detail, and provide copies of relevant data, of such material results or events.
- (b) Notwithstanding the delivery of any reports, results or other information by Gorilla to First Ferro pursuant to Section 2.3(a), Gorilla shall not have any liability or responsibility whatsoever to First Ferro in connection with such reports, results or other information and First Ferro agrees that it will rely upon its own appraisals and interpretation relating thereto.
- (c) During the Option Period, Gorilla shall do such acts, and shall pay as Option Payments such taxes, fees and rents as may be required to keep the Property in good standing.
- (d) All work conducted, carried out or performed by Gorilla on the Property during the Option Period shall be done in a sound and workmanlike manner according to sound mining and engineering practices and in substantial compliance with all Applicable Laws of all Governmental Authorities, including without limitation, all

Environmental Laws, provided that Gorilla shall not be considered in default of this provision if it is opposing in good faith any allegations of a breach of compliance with all Applicable Laws.

- (e) During the Option Period, Gorilla as Operator shall maintain adequate insurance coverage in accordance with normal industry standards and practice, naming the parties as insured and protecting the parties from third-party claims, and shall provide satisfactory evidence of such insurance at the request of First Ferro.
- (f) During the Option Period, Gorilla as Operator shall pay or cause to be paid all invoices for all materials and services purchased in connection with its work on the Property that might give rise to a lien thereon. Should any such lien be recorded against the Property or any part thereof in consequence of any work performed thereon, Gorilla shall, on such occurrence becoming known to it, forthwith take active proceedings to have such lien removed and shall have the same removed with all reasonable dispatch, provided however that Gorilla may, in good faith, diligently contest any claim of lien.
- (g) During the Option Period, Gorilla shall permit First Ferro and its agents and representatives at their own risk and expense, reasonable access to the Property at all times and to all information obtained, results produced, samples, core and data collected and records, maps, sections and reports prepared by or on behalf of Gorilla in connection with any work done on or with respect to the Property, provided that reasonable notice is given and that such access shall not unduly interfere with or disrupt the activities of Gorilla.
- (h) During the Option Period, First Ferro may, with reasonable notice and at its own cost, undertake an audit of the accounting and financial records of Gorilla related to the Property for the current calendar year and the most recently completed calendar year. All written exceptions to and claims upon Gorilla for discrepancies disclosed by such audit shall be made not more than 30 days after receipt by First Ferro of the audit report. The failure to make any such exception or claim within the 30-day period shall mean the audit is correct and binding upon parties.

2.4 Termination of the Option

- (a) Subject to the obligations of the parties that expressly survive the termination of this Agreement, the Option and this Agreement shall automatically terminate:
 - (i) if First Ferro fails to pay the Option payments on or before any Interim Deadline or the Final Deadline, as the case may be, in accordance with Section 2.1(a);
 - (ii) upon the mutual consent of the parties; or
 - (iii) upon 30 days' written notice from First Ferro to Gorilla terminating the Option,

provided that for greater certainty, and without limitation, Sections 2.4(c), 31.2, and 32.3 shall survive the termination of this Agreement.

- (b) Notwithstanding Section 2.4(a), at any time prior to the Operative Date, Gorilla shall have the right to terminate the Option and this Agreement:
- (i) in the event of a material breach by First Ferro of its covenants contained in this Agreement or the representations and warranties contained in Section 3; provided that First Ferro has not within 30 days following delivery by Gorilla of a written notice of breach, cured such breach or, if such breach is not capable of being cured in 30 days, begun to cure such breach within such 30 days and subsequently cured such breach within 60 days thereafter; or
 - (ii) forthwith if First Ferro shall generally not pay its debts as such debts become due or First Ferro shall admit in writing its inability to pay its debts generally as such debts become due or if First Ferro shall make a general assignment for the benefit of creditors or if any proceedings shall be instituted by or against First Ferro under any bankruptcy, insolvency or similar law.

A termination of the Option and this Agreement by Gorilla under this Section 2.4(b) shall not entitle First Ferro to reimbursement of any Costs incurred or relieve it of any of obligations or liabilities arising hereunder prior to the time of termination, and shall not be in derogation of Gorilla's right to sue for and recover damages at law or in equity for a breach of this Agreement by First Ferro prior to the date of termination. For greater certainty and without limitation, Sections 2.4(c), 31.2 and 32.3 shall survive the termination of this Agreement.

- (c) If the Option and this Agreement are terminated, First Ferro shall forthwith deliver to Gorilla a duly executed, notarized release and quit claim, in form and content satisfactory to Gorilla, with respect to its rights in respect of the Option and this Agreement.
- (d) Within 60 days of the termination of the Option and this Agreement, First Ferro shall deliver to Gorilla all maps, reports, surveys and assays, drill core samples and other results of surveys and drilling and all other reports of information in its possession relating to the Property and shall complete all its cleanup, rehabilitation and reclamation obligations with respect to any work it has conducted hereunder with respect to the Property, in accordance with the requirements of all Applicable Laws.

2.5 No Transfer of Option

First Ferro shall not at any time after the execution of this Agreement transfer or assign all or any part of its right, title or interest in and to the Option to a third party that is not an Affiliate of First Ferro without the prior written consent of Gorilla, which consent may be withheld in the sole discretion of Gorilla.

2.6 Establishment of Joint Venture

On the date that First Ferro pays all the Option Payments in accordance with Section 2.1(a) (the "**Operative Date**"), a joint venture (the "**Joint Venture**") shall be immediately constituted and shall continue until terminated pursuant to Section 30.1 for the purpose of further exploring the Property and, if deemed warranted, bringing all or a portion of the Property into Commercial

Production by establishing and operating a Mine or Mines thereon in which the initial Interest of each party shall be as set out in Section 4.2. Upon formation of the Joint Venture, Gorilla shall convey to First Ferro its Interest in the Property from the 40% interest which it holds.

2.7 Several Rights and Obligations

The rights and obligations of each party shall be in every case several and not joint or joint and several, the intent being that the parties hold their respective Interests as tenants in common.

2.8 No Partnership and Other Business Opportunities

- (a) The parties have not created a partnership and nothing contained in this Agreement shall constitute any party the partner, agent or legal representative of any other party, or create any fiduciary relationship between them for any purpose whatsoever. No party will have any authority to act for, or to assume any obligation or responsibility on behalf of, any other party except as otherwise expressly provided herein.
- (b) Without limiting the generality of Section 2.8(a), the parties confirm that each of them has the right:
 - (i) to mine and market production from other sources and to market its Proportionate Share of any Minerals all in competition with the other party;
 - (ii) to stake or acquire lands or mineral properties outside the boundaries of the Property;
 - (iii) not to disclose to the other parties information and data relating to lands and mineral property outside the boundaries of the Property; and
 - (iv) to develop, at its own expense, utilizing its own or other proprietary technology, such opinions or conclusions, based on information which is available to the other parties, as it wishes without the obligation to disclose those opinions or conclusions to any other party.

2.9 Administration of Services

Both before and after the Operative Date, the Operator shall arrange for the provision of (i) technical staff and services, and (ii) accounting staff and services. Prior to the Operative Date, the Operator shall be entitled to charge management fees in respect of such services as set forth in Section 2.2(a). On and after the Operative Date, the Operator shall be entitled to charge management fees (on a cost recovery basis) plus amounts based on the following percentages:

- (a) in the case of Exploration Programs, 10% of Exploration Costs, save and except in the case of single third-party contracts having a total value of greater than \$50,000 in which case the fee shall be reduced to 5%;
- (b) in the case of Construction Programs, 2% of Construction Costs; and
- (c) in the case of Mining Programs, 3% of Mining and/or Operating Costs.

2.10 Accounting Procedures

The parties hereby agree to negotiate in good faith, settle and finalize on or before the date that is 90 days from the Operative Date, accounting procedures to be used in connection with the Joint Venture and which shall, at the time they are finalized, be deemed to be part of this Agreement. First Ferro shall deliver a first draft of accounting procedures on or before the date that is 30 days following the date of this Agreement. Any reference to the term "Accounting Procedures" contained in this Agreement shall refer to the Accounting Procedures to be negotiated, settled and finalized in accordance with this Section 2.10.

3. **REPRESENTATIONS AND WARRANTIES**

3.1 Representations and Warranties of the Parties

Each party represents and warrants to the other as follows and acknowledges and confirms that the others are relying on such representations and warranties in entering into this Agreement:

- (a) it has full power, capacity and authority to enter into and perform its obligations under this Agreement and any agreement or instrument referred to or contemplated by this Agreement;
- (b) neither the execution and delivery of this Agreement, nor the performance of the transactions contemplated hereunder, conflict with, result in the breach of or accelerate the performance required by any agreement to which it is a party;
- (c) this Agreement and all other agreements or instruments to be executed and delivered by such party hereunder have been duly executed and delivered by such party and constitute, legal, valid and binding obligations of such party enforceable against such party in accordance with their respective terms;
- (d) no consent from a lender or any third-party is necessary to authorize such party to execute, deliver and perform its obligations under this Agreement;
- (e) there is no judgment, decree, injunction, ruling or order of any court, governmental department, commission, agency, instrumentality or arbitrator and no claim, suit, action, litigation, arbitration or governmental proceeding in progress, pending or threatened, which prevents or which seeks to prevent such party from entering into this Agreement; and
- (f) it has not committed an act of bankruptcy, is not insolvent, has not proposed a compromise or arrangement to its creditors generally, has not had any petition for a receiving order in bankruptcy filed against it, has not made a voluntary assignment in bankruptcy, has not taken any proceedings with respect to a compromise or arrangement, has not taken any proceeding to have itself declared bankrupt or wound-up, has not taken any proceeding to have a receiver appointed over any part of its assets, has not had any encumbrancer take possession of any of its property and has not had any execution or distress become enforceable or become levied upon any of its property.

3.2 Representations and Warranties of Gorilla

Gorilla represents and warrants as follows to First Ferro and acknowledges and confirms that First Ferro is relying on such representations and warranties in entering into this Agreement:

- (a) the execution and delivery of this Agreement will not violate or result in the breach of any Applicable Laws to which Gorilla is subject;
- (b) Gorilla is the registered and beneficial holder of a 40% interest in the Property, free and clear of any and all liens, pledges, mortgages, leases, subleases, charges, encumbrances or other security interests therein of whatsoever nature and kind and as of the date of this Agreement, other than the Royalties;
- (c) Schedule "A" sets forth a true, accurate and complete description of the legal documents and instruments which form the Property;
- (d) Gorilla has made available to First Ferro all relevant information in his possession and control concerning title to the Property and the Technical Data relating to the Property, provided that Gorilla expressly does not represent or warrant the adequacy, accuracy or completeness of the such information;
- (e) Gorilla has full authority to sell, assign, convey and transfer to First Ferro, as at the Operative Date, up to an undivided 40% Interest in and to the Property without the prior consent or action of any third-party, subject to required approvals from any Governmental Authority;
- (f) the exploration and mining rights attached to the Property have been validly located, tagged, staked, filed and recorded in compliance with Applicable Laws as they relate to location and recordation of such rights on behalf of and in the name of Gorilla and are valid and subsisting mineral claims and all claim and lease maintenance fees and taxes have been paid thereon until the date shown on Schedule "A";
- (g) Gorilla has caused all required representation work to be performed upon the Property or paid fees in lieu thereof through the effective date of this Agreement and has recorded and filed proof thereof, all of which work, recordings and filings have been completed in accordance with Applicable Laws;
- (h) Gorilla has not entered into any material agreements and has not made any material commitment in respect of the Property;
- (i) to the best of Gorilla's knowledge, and except as otherwise provided herein, there is no judgment, decree, injunction, ruling or order of any court, Governmental Authority, instrumentality or arbitrator and no claim, suit, action, litigation, arbitration or governmental proceeding in progress, pending or threatened against or relating to, and affecting any of the Property which prevents or which seeks to prevent Gorilla from entering into and performing his obligations hereunder and the transactions contemplated hereby;
- (j) to the best of Gorilla's knowledge, the Property and the activities and operations that have been carried out thereon have been in compliance with all material respects with all Applicable Laws and directives of all Governmental Authorities

and he has not received notice of non-compliance from any such Governmental Authorities;

- (k) to the best of Gorilla's knowledge, the Property is free and clear of any Hazardous Substance and there is no judicial or administrative proceeding pending and no Environmental Order has been issued or threatened concerning the possible violation of any Environmental Laws or Environmental Orders in respect of the Property;
- (l) to the best of Gorilla's knowledge, all environmental approvals required with respect to activities carried out by him on any part of the Property have been obtained, are valid and in full force and effect, have been complied with and there have been and are no proceedings commenced or threatened to revoke or amend any such environmental approvals; and
- (m) Gorilla has caused timely compliance with all of the filing provisions of the laws relating to the mineral claims which comprise the Property.

3.3 Representations and Warranties of First Ferro

First Ferro represents and warrants as follows to Gorilla and acknowledges and confirms that Gorilla is relying on such representations and warranties and entering into this Agreement:

- (a) First Ferro is a corporation duly incorporated, organized, validly existing and in good standing under the laws of its incorporating jurisdiction and is qualified to do business in those jurisdictions where necessary in order to carry out its purposes;
- (b) the execution and delivery of this Agreement will not violate or result in the breach of any Applicable Laws to which First Ferro is subject or the terms of its constating documents;
- (c) the common stock of First Ferro is quoted for trading on the OTQB; and
- (d) First Ferro has the experience and expertise in the mining industry to meet its obligations under and pursuant to this Agreement, including, without limitation, the ability to act as the Operator.

4. **INTERESTS**

4.1 Contribution and Respective Interests

Except as otherwise provided in this Agreement, after the formation of the Joint Venture 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.

4.2 Initial Interests

On the Operative Date, First Ferro and Gorilla shall have the initial Interests set out in Section 2.6.

4.3 Deemed Costs

On the Operative Date, the deemed contributions of First Ferro to the Joint Venture shall be all its monetary expenditures relating to the Property to the date of formation of the Joint Venture and the deemed contributions of Gorilla shall be all its monetary expenditures relating to the Property to the same date.

4.4 Adjustment of Interests

The Interests of the parties shall be subject to adjustment from time to time in accordance with Sections 8, 9, 10 and 16. Subject to Section 1617.1, any adjustment to a party's Interest need not be evidenced during the term of this Agreement by the execution and delivery of any instrument, but each party's Interest shall be determined from time to time by using the books of the Joint Venture kept by the Operator.

5. **MANAGEMENT COMMITTEE**

5.1 Establishment of Management Committee

A Management Committee shall be established with effect from the Operative Date. The Management Committee shall have the exclusive right and authority to:

- (a) except as otherwise contemplated in Section 16.2, consider and approve all Programs, Feasibility Studies, Production Notices, Operating Plans, Mine Maintenance Plans, Mine Closure Plans and any amendments thereto;
- (b) review and approve all exploration, construction, operating and financial reports on the Operations;
- (c) consider and approve the abandonment or surrender of any grant, patent, lease, mineral or mining claim, mining lease, permit, licence to prospect, mineral disposition or other right to or interest in Minerals which is comprised in the Property;
- (d) consider and approve any major change in the mining plan established for any Mine or any plan for the installation of additional milling, concentrating or refining capacity or of additional plant facilities or infrastructure at any Mine;
- (e) review and approve the annual ore reserve estimates prepared by the Operator;
- (f) other than as provided in Section 2.9, review and approve all material agreements between the Operator and its Affiliates with respect to the Operations;
- (g) review and approve all consultants retained by or at the expense of the Joint Venture;
- (h) consider and approve changes in the Accounting Procedure;
- (i) cause the party which is acting as the Operator to be removed as Operator in the events described in Section 6.3 and, in that event, or if the party which is the

Operator resigns as contemplated in Section 6.2, select another party to become the Operator; and

- (j) establish and modify its own rules of procedure in a manner not inconsistent with this Agreement.

5.2 Representation on Management Committee

Each party shall have the right to appoint one representative to the Management Committee. Each party may also appoint one or more alternate representatives to act in the absence of its representative and any alternate representative so acting shall be deemed to be that party's representative in respect of the matter upon which he acts. Each party may change its representatives and any alternate representatives at any time. Notice of any appointment or change shall be given to the other party.

5.3 Meetings of Management Committee

Unless otherwise agreed in writing, the Operator shall call a Management Committee meeting at least once every three months and, in any event, within 21 days of being requested to do so by a representative of another party. Unless otherwise agreed, all meetings of the Management Committee shall be held, prior to the Completion Date, in the city in which the executive office of the Operator is located and, thereafter, at the Mine.

5.4 Notice of Meetings

The Operator shall give notice, specifying the time and place of, and the agenda for, each Management Committee meeting to all representatives at least 14 days before the time appointed for the meeting. Notice of a meeting may be waived if each party is represented at the meeting by its representative and all the representatives present at the meeting agree upon the waiver and upon the proposed agenda.

5.5 Conduct of Management Committee Meetings

A quorum for any Management Committee meeting will be present if the representative of each party is present or participating by telephone. If a quorum is present at the meeting, then the Management Committee shall be competent to exercise all of the authorities, powers and discretions bestowed upon it under this Agreement. No business other than the election of a chairman, if any, and the adjournment or termination of the meeting shall be transacted at any meeting unless a quorum is present. If within 30 minutes from the time appointed for a meeting, a quorum is not present, then the meeting shall, at the election of those representatives who are present:

- (a) be dissolved; or
- (b) be adjourned to the same place but on a date and at a time to be fixed by the chairman of the meeting before the adjournment, which shall be not less than seven 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 at the adjourned meeting, a quorum is not present within 30 minutes from the time appointed, then the representatives present and entitled to attend and vote at the meeting shall constitute a quorum. No material item of business shall be transacted

at a Management Committee meeting unless the item appears on the agenda or at least one representative of each party is present and those representatives unanimously agree to the item being added to the agenda.

5.6 Decisions of the Management Committee

Except as otherwise contemplated in Sections 5.7, 5.9, 9.2, 13.5, 15.1, 15.2, 17.2 and 25, or in any provision of this Agreement requiring unanimous approval, the Management Committee shall decide every question submitted to it by Simple Majority with the representative of each party being entitled to cast collectively one vote for each percent of that party's Interest. If the matter requires Special Majority approval which is not obtained, the party which proposed the defeated resolution may elect to have the matter determined in accordance with the deadlock resolution procedures under Section 28.

5.7 Unanimous Consent of the Management Committee

The following decisions shall require the unanimous approval of the Management Committee:

- (a) termination of the Joint Venture;
- (b) Exploration Costs that in the aggregate exceed the greater of (A) the amount which is \$2,000,000 above the Exploration Costs for the previous year, and (B) the amount which is 50% above the Exploration Costs for the previous year (in either case, other than Exploration Costs incurred as part of current Mining Operations at an operating mine that are the subject of an approved Program), and Costs on capital assets other than any capital Costs necessary for sustaining current Operations;
- (c) any change in the Operator (including subcontracting the role of Operator), other than to an Affiliate of the Operator, and provided that the Operator shall covenant to make available to such Affiliate the employees, assets and technical knowledge of the Operator that are necessary to enable such Affiliate to fully perform the duties and obligations of the Operator under this Agreement); and
- (d) the approval of the occupational health and workplace safety and environmental protection and compliance policies and plans of the Management Committee.

5.8 Chairman and Secretary

Meetings of the Management Committee shall be chaired, at any time when the percentage Interests of the parties are not equal, by the representative of the party having the greatest percentage Interest and, at any time when the percentage Interests of the parties are equal, by the representative of the Operator. The representative of the Operator shall be the secretary of Management Committee meetings. The chairman shall not have a second or casting vote. The wording for any resolution to be passed by the Management Committee at a meeting shall be circulated to each representative prior to such meeting and, if passed at the meeting, the wording shall be agreed at the meeting and initialled by the representatives in attendance thereat. The secretary for the meeting shall take minutes of each meeting and circulate draft copies of the minutes to each representative within 15 days of the meeting. Representatives shall discuss and, if appropriate, approve the draft minutes within 15 days of the next meeting, after which the secretary will circulate the approved minutes for execution (and return) by the

chairman and secretary. The secretary shall distribute copies of the executed minutes to each representative.

5.9 Consent Resolutions

Any decision made by obtaining the consent in writing of the representatives on the Management Committee of each party shall be as valid as a decision made at a duly called and held meeting of the Management Committee.

5.10 Expenses and Other Rules

Each party shall bear the expenses incurred by its representatives in attending meetings of the Management Committee. The Management Committee may, by the unanimous approval of the Management Committee, establish such other rules of procedure, not inconsistent with this Agreement, as the Management Committee deems fit.

5.11 Decisions Binding on Parties

Management Committee decisions made in accordance with this Agreement shall be binding upon all of the parties.

5.12 Operation of Section 5 Following Production Notice

Subsequent to the date a Production Notice is given, this Section 5 shall be read as if the word "Participant" appeared wherever the word "party" appears.

6. OPERATOR

6.1 Operator

The Management Committee shall appoint First Ferro as the Operator effective as and from the Operative Date, unless First Ferro gives prior notice in writing that it wishes to decline such appointment. First Ferro shall act as Operator of the Joint Venture until such time as it resigns pursuant to Section 6.2 or is removed as Operator pursuant to Section 6.3.

6.2 Resignation

The party acting as the Operator may resign upon at least 90 days' notice to all the other parties. If a party resigns as the Operator, then the Management Committee shall thereupon select another party to become the Operator effective on and from the date established by the Management Committee.

6.3 Removal

The party acting as the Operator shall be deemed to have resigned as the Operator (unless the other parties consent to such party continuing to act as the Operator) if:

- (a) that party withdraws from the Joint Venture;
- (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 a reorganization under appropriate bankruptcy legislation, or is adjudicated bankrupt or insolvent;

- (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 a reorganization pursuant to appropriate bankruptcy legislation or any other legislation providing for judicial modification or compromise of the rights of creditors;
- (d) the Operator is in default under this Agreement and:
 - (i) if the default is curable, fails to cure such default or commence bona fide curative measures within 30 days of receiving notice of the default from another party; or
 - (ii) if the default is not curable, the Operator shall be removed immediately upon Management Committee approval of removal of the Operator for default.

In the event of the deemed resignation of the Operator, the Management Committee shall appoint another party (which shall not be the party which is deemed to have resigned) as the Operator. A party may refer a question Operator default to arbitration if it is outvoted on a Management Committee motion under Section 6.3(d)(ii).

6.4 Transitional Provisions

Upon ceasing to be the Operator, the former Operator shall forthwith deliver to the new Operator custody of all Assets, all bank accounts maintained by it as the Operator, and all books and records pertaining to the Assets or the Property which it prepared or maintained in its capacity as the 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 or consultants of the former Operator.

7. RIGHTS, DUTIES AND STATUS OF OPERATOR

7.1 Rights and Powers of Operator

Subject to the decisions of the Management Committee, the Operator shall have full, complete and exclusive control, charge and supervision of the Property and Assets and the sole and exclusive right and authority to supervise, manage and carry out all Operations and to incur all Costs required for that purpose. The Operator shall manage and carry out the Operations in accordance with the terms and conditions of Programs, Production Notices and Operating Plans approved by the Management Committee and in connection therewith shall, in advance, if reasonably possible, notify the Management Committee of any change in Operations which the Operator considers material. If it is not reasonably practicable to give notice in advance, then the Operator shall notify the Management Committee as soon thereafter as is reasonably practicable.

7.2 Status of Operator

The Operator in the conduct of its activities under this Agreement shall be deemed to have the status of an independent contractor. The Operator shall not act or hold itself out as an agent for any of the parties nor make any commitments on behalf of any of the parties unless specifically permitted by this Agreement or directed in writing by each of any such parties.

7.3 Specific Duties and Obligations of Operator

Unless the Operator is instructed otherwise by the Management Committee, the Operator shall have the following specific duties and obligations:

- (a) to prepare and submit to the Management Committee draft Programs, Production Notices and Operating Plans;
- (b) subject to any specific provision of this Agreement (including Section 5.1(g)) and subject to it having the right to reject any direction on reasonable grounds by virtue of its status as an independent contractor or its liability under Section 7.8, to implement, at the expense and on behalf of the Joint Venture, using such contractors, if any, as the Operator deems appropriate, all Programs, Production Notices and Operating Plans approved by the Management Committee;
- (c) to the extent that funds of the Joint Venture are available, to pay all Costs properly incurred promptly as and when due;
- (d) to comply with the provisions of all agreements or instruments of title under which the Property or Assets are held;
- (e) subject to Section 17.2, to 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 limitation, staking and restaking mining claims, and applying for licences, leases, grants, concessions, permits, patents and other rights to and interests in the Minerals;
- (f) to keep the Property and Assets free of all liens and encumbrances (other than those, if any, in effect on the date hereof or the creation of which is permitted pursuant to this Agreement) arising out of its conduct of Operations and, in the event of any lien being filed as aforesaid, to proceed with diligence to contest or discharge the same;
- (g) to perform its duties and obligations hereunder in a sound and workmanlike manner, in accordance with sound mining and engineering practices and in substantial compliance with all Applicable Laws applicable to the Operations; and
- (h) to prosecute claims or, where a defence is available, defend litigation arising out of the Operations, provided that any Participant may join in the prosecution or defence at its own expense.

7.4 Maintenance of Accounts

The Operator, at the expense of the Joint Venture, shall maintain the accounts of the Joint Venture in accordance with IFRS and the Accounting Procedure; provided, that the judgment of the Operator as to matters related to the accounting, for which provision is not made in the Accounting Procedure, shall govern if the Operator's accounting practices are not inconsistent with joint venture accounting practices generally accepted in the mining industry in the United States. The Operator shall maintain one or more bank accounts with a chartered bank in Vancouver, British Columbia to which all payments and receipts with respect to the Joint Venture shall be credited and from which all Costs shall be paid.

7.5 Restrictions

The following decisions shall require the unanimous approval of the Management Committee:

- (a) to abandon, lease, sell or otherwise dispose of any Assets or series of related Assets having an aggregate value of greater than \$100,000;
- (b) to settle any suit, claim or demand in an aggregate amount in excess of \$100,000;
- (c) to suspend or terminate Mining Operations other than in accordance with Section 15; and
- (d) to enter into any material agreement with an Affiliate of a party with respect to the Operations.

7.6 Access Obligations

At all reasonable times, the Operator shall provide the representatives of the parties access to, and the right to inspect and copy all geological, geochemical, geophysical and engineering data, maps, available drill core, drill logs, surveys, assays, analyses, technical, accounting and financial records and other information acquired in the Operations within 30 days of any request to do so. In addition, the Operator shall allow representatives of the parties, at their own sole risk and expense and subject to reasonable safety regulations, to inspect the Property and the Operations at all reasonable times so long as the inspecting representatives do not unreasonably interfere with the Operations.

7.7 Reporting Obligations

The Operator shall, in respect of Programs it is conducting, prepare and submit to the Management Committee:

- (a) quarterly reports, with such reports to be delivered within 30 days following the end of each quarter, except that during the Construction Period the Operator shall provide monthly reports on a timely basis;
- (b) an annual financial report, with such report to be delivered within 60 days following the end of each year; and
- (c) an annual technical report, with such report to be delivered within 60 days following the completion of each Program.

The foregoing reports shall include all necessary data, analyses, projections, studies, evaluations and other reports sufficient to provide the Management Committee with an accurate summary of all relevant Operations and the results of those Operations and shall include a statement of Costs and comparisons of such Costs to approved Budgets. During periods of active Exploration Operations, the Operator shall prepare and submit to the Management Committee brief weekly reports within five days of the end of each week. The Operator shall, on becoming aware of any material change in the foregoing reports, prepare and submit to the parties a notice containing the details of such change within 48 hours of the occurrence of the material change.

7.8 Funding Budgets

The Operator's obligation to manage and carry out the Operations approved by the Management Committee or to perform any of its duties or obligations under this Agreement shall be subject to the other Participants paying their Proportionate Share of required funds in a timely way according to an approved schedule of advances or within the time limits contemplated in this Agreement for the payment of invoices for Costs. The Operator shall immediately notify the Management Committee of any material departure from an adopted Program and its related budget (the "**Budget**"). If the Operator exceeds an adopted Budget (taken as a whole) by more than 20% in the case of an Exploration Program or 10% in the case of any other Program, then the excess shall be for the sole account of the Operator unless:

- (a) the overrun is a Non-Discretionary Cost incurred in accordance with Section 16.2; or
- (b) the overrun has been approved by the Management Committee by Special Majority.

Overruns for the sole account of the Operator shall not be included in the calculations of the Interests of the parties. Budget overruns of 20% or less in the case of an Exploration Program or 10% or less in the case of any other Program shall be borne by the parties in proportion to their respective Interests.

7.9 Rejection of Directions

Any rejection of a direction of the Management Committee by the Operator under Section 7.3(b) shall be resolved in accordance with the provisions of Section 28.1 and, if applicable, Section 29.

8. EXPLORATION PROGRAMS

8.1 Draft Programs

Within 60 days following the Operative Date, the Operator shall prepare and submit an initial draft Exploration Program for the balance of that calendar year for consideration by the Management Committee. On or before March 1st of each year commencing with the year in which the Operative Date occurs, the Operator shall prepare and submit a draft Exploration Program for the following calendar year for consideration by the Management Committee. The term of an Exploration Program shall not exceed 12 months unless the Management Committee otherwise unanimously approves. Every draft Exploration Program shall contain a statement in reasonable detail of the proposed Exploration Operations and estimates of all Exploration Costs to be incurred. The Operator shall be entitled to include in the Budget for each draft Program an

allowance of up to 10% for contingencies. All Exploration Operations shall be conducted, Exploration Costs shall be incurred and Assets shall be acquired only pursuant to approved Exploration Programs.

8.2 Approval of Exploration Programs

The Management Committee shall review and consider the draft Exploration Program within 30 days and, if it deems fit, approve such Exploration Program with such modifications, if any, as the Management Committee deems desirable. Prior to May 1st of each year, commencing with the year in which the Operative Date occurs, the Management Committee shall review and consider all Exploration Programs submitted and, if it deems fit, approve an Exploration Program with such modifications, if any, as the Management Committee deems desirable.

8.3 Election to Contribute

Forthwith after approval of each Exploration Program, the Operator shall submit it to the parties. Subject to Section 8.6, each party shall, within 15 days after the date on which the Management Committee approves an Exploration Program, give notice to the Operator whether it elects:

- (a) to contribute its Proportionate Share of the Exploration Costs of that Exploration Program;
- (b) to contribute a specified amount which is less than its Proportionate Share of the Exploration Costs of that Exploration Program; or
- (c) not to contribute.

If a party does not give timely notice, then that party shall be deemed to have elected not to contribute. If any party elects or is deemed to have elected not to contribute to a Program or elects to contribute a specified amount less than its Proportionate Share, then the Operator shall forthwith give notice thereof to the other parties who shall be entitled to elect, within 10 days of the Operator's notice, to increase their contributions by the amount of the shortfall (if more than one then in proportion to their respective Interests). If, after the operation of this Section 8.3, the Exploration Costs are not fully committed, then the Exploration Program shall be deemed to be withdrawn. If an Exploration Program is deemed to have been withdrawn:

- (a) the Operator may prepare and submit a revised Exploration Program;
- (b) the Operator shall implement a mandatory program as contemplated in Section 16.2; and
- (c) any party may invoke the deadlock and dispute resolution procedures under Section 28.

If, after the operation of this Section 8.3, the Exploration Costs are fully committed, then the Operator shall proceed with the approved Exploration Program and promptly notify each party of the percentage amount (the "**Exploration Program Percentage**") it has elected to contribute to the Program.

8.4 Contributions to Exploration Programs

The Operator shall be entitled to request cash advances from the parties (“**Cash Calls**”) who have elected to contribute to the current Program at the beginning of the last month of each quarter in respect of Costs expected to be incurred by or on behalf of the Operator during the following quarter plus a reasonable additional amount for working capital, and each such party shall comply with such request within five Business Days of receipt thereof. Each such request shall include a statement of account reconciling amounts previously advanced by the contributing parties against actual Costs incurred and paid by the Operator, and appropriate adjustments shall be made as required to the amount of cash requested by the Operator in respect of the then current quarter. If the Operator suspends or prematurely terminates an Exploration Program, then any funds advanced by a party in excess of that party’s Exploration Program Percentage Proportionate Share of Exploration Costs actually incurred in connection with that Exploration Program shall be refunded forthwith.

8.5 Suspension or Termination of Exploration Programs

If any Exploration Program is suspended or terminated prematurely so that the Exploration Costs incurred on the Program so suspended or terminated are less than 80% of the Exploration Costs originally proposed, then any party which elected or is deemed to have elected not to contribute to that Exploration Program or which elected to contribute an amount less than its Proportionate Share shall be given notice by the Operator of the suspension or termination and shall be entitled to contribute its Proportionate Share of the Exploration Costs incurred on that Program by payment thereof to the Operator within 30 days after receipt of the notice. If payment is not made by that party within the 30 days aforesaid, then it shall be deemed to have elected not to fully contribute to that Exploration Program without any further demand for payment being required.

8.6 Dilution for Non-Contribution

If a party elects or is deemed to have elected not to contribute to the Exploration Costs of any Exploration Program or elects to contribute an amount less than its Proportionate Share of the Exploration Costs, then the Interest of that party expressed as a percentage shall be diluted and determined by the following formula:

$$\text{Party's Interest} = A \times \left[\frac{B + Y}{B + C} \right]$$

Where:

A = the Interest of the party being diluted prior to the start of the Relevant Program (as defined below);

B = the sum of all deemed and prior contributions of all parties prior to the start of the Relevant Program;

Y = the actual contributions (if any) of the diluting party to the Relevant Program;

and

C = the total amount actually contributed by all parties to the Relevant Program;
and

“Relevant Program” means, in this Section 8.6, a Program to which the diluting party elects not to contribute or elects to contribute an amount less than its Proportionate Share and the Program is subsequently funded by the other parties increasing their contributions by the amount of the shortfall.

The non-diluting party’s Interest shall be adjusted accordingly and, if there is more than one non-diluting party, then the Interests of the non-diluting parties shall be adjusted in proportion to their respective percentage interests in the Exploration Program prior to the start of the Relevant Program. A party whose Interest has been reduced to less than 10% shall be entitled to receive details of and to contribute to future Programs to the extent of its then Interest. A party whose Interest has been reduced to less than 5% shall be deemed to have surrendered its Interest to the Participants in accordance with Section 10.1 and cease to be a party pursuant to Section 10.2.

9. PRODUCTION NOTICE

9.1 Preparation and Consideration of Feasibility Study

Unless a Feasibility Study is prepared prior to the Operative Date and approved by the Management Committee, an Exploration Program may provide for a Feasibility Study to be prepared. The Operator shall call a Management Committee meeting to consider any Feasibility Study for a date no sooner than 60 days and no later than 120 days after the Feasibility Study has been provided to each of the parties or such other date as the representatives of all the parties agree. The parties shall meet at reasonable intervals and times to review drafts of the Feasibility Study and discuss whether establishing and bringing a Mine into commercial production in conformity with such Feasibility Study is feasible and desirable.

9.2 Production Recommendation

The Management Committee shall consider any Feasibility Study prepared and may, by Special Majority, approve the Feasibility Study, with such modifications or subject to such conditions, if any, as it considers necessary or desirable. Upon approval of the Feasibility Study, the Management Committee shall cause the Operator to give notice (the **“Production Recommendation”**) to each of the parties stating that the Management Committee recommends that a Mine be established and brought into production in conformity with the Feasibility Study as so approved.

9.3 Election to Contribute

Subject to Section 13.6, each party may, within 90 days of receipt of a Production Recommendation, give the Operator notice committing itself to:

- (a) contribute its Proportionate Share of the Construction Costs and Production Costs to be incurred in respect of the Mine;
- (b) contribute a specified amount which is less than its Proportionate Share of the Construction Costs and Production Costs to be incurred in respect of the Mine; or
- (c) not to contribute thereto.

If a party does not give notice of that commitment within the 90 day period, then it shall be deemed to have elected not to contribute to Construction Costs and Production Costs.

9.4 Election to Increase Contribution

If any party elects to contribute to Construction Costs and Production Costs or elects to contribute a specified amount which is less than its Proportionate Share of Construction Costs or Production Costs, then the Operator shall give notice thereof to those parties and such parties may thereupon elect, by notice to the Operator within 30 days of the Operator's notice, to increase their contributions to the Construction Costs and Production Costs (if more than one, then in proportion to their respective Interests) by the amount which any party has declined to contribute.

9.5 Production Notice

Forthwith after the operation of Sections 9.3 and 9.4, the Management Committee shall cause the Operator to give notice to the parties indicating either that Construction Costs and Production Costs:

- (a) are fully committed, in which case the notice (the "**Production Notice**") shall state that the Participants have agreed to establish and bring a Mine into production in conformity with the Feasibility Study approved by the Management Committee pursuant to Section 9.2 and advise each party of their agreed percentage (the "**Mining Program Percentage**") of the Construction Costs and Production Costs to be incurred in respect of the Mine; or
- (b) are not fully committed, in which case the notice shall state that the Production Recommendation is thereby withdrawn.

If the Production Recommendation is deemed to have been withdrawn, any party may invoke the deadlock and dispute resolution procedures under Section 28.

9.6 Further or Revised Feasibility Study

Notwithstanding Section 9.5(b), the Management Committee shall be entitled by Special Majority, at any time after the withdrawal of a Production Recommendation, to approve another or a revised Feasibility Study and cause another Production Recommendation to be issued.

9.7 Dilution for Non-Contribution

If a party elects or is deemed to have elected not to contribute to the Construction Costs and Production Costs to be incurred in respect of a Mine or elects to contribute an amount less than its Proportionate Share of the Construction Costs and Production Costs, then the Interest of that party expressed as a percentage will be diluted and determined by the following formula:

$$\text{Party's Interest} = A \times \left[\frac{B + Y}{B + C} \right]$$

Where:

A = the Interest of the party being diluted prior to dilution;

B = the sum of all deemed and prior contributions of all parties; and

Y = the actual contributions (if any) of the diluting party to the Relevant Program, as defined below; and

C = the total amount actually contributed by all parties to the Relevant Program; and

“Relevant Program” means, in this Section 9.7, a Program to which the diluting party elected not to contribute or elected to contribute an amount less than its Proportionate Share and the Program is subsequently funded by the other party increasing its contribution by the amount of the shortfall.

The non-diluting party’s Interest will be adjusted accordingly. A party whose Interest has been reduced but is still at least 5% will be entitled to receive details of and to contribute to future Programs to the extent of its then Interest. A party whose Interest has been reduced to less than 5% will be deemed to have surrendered its Interest to the Participants in accordance with Section 10.1 and cease to be a party pursuant to Section 10.2.

10. EFFECT OF NON-PARTICIPATION

10.1 Reduction of Interest Below 5%

If, prior to the Completion Date, a party has its Interest reduced to less than 5% as a result of the operation of any one or more of Sections 8.6, 9.7 or 16.3, then it will be deemed to have assigned and conveyed its Interest to the Participants (if more than one then in proportion to their respective Interests). An assignment and conveyance pursuant to this Section 10.1 will not relieve the party whose Interest is being assigned and conveyed from any obligations and liability accruing to it prior to the date of the assignment and conveyance in respect of unfunded decommissioning and shut down costs and expenses including all required environmental clean-up, reclamation and rehabilitation, unless such party’s Interest was reduced to less than 5% prior to the commencement of Construction.

10.2 No Further Entitlement

Upon any assignment and conveyance pursuant to Section 10.1, the party whose Interest is deemed to have been assigned and conveyed (the **“Ceasing Party”**) will cease to be a party and will cease to have any further right or Interest under this Agreement and all obligations or liabilities of the other parties to the Ceasing Party will terminate.

11. MINE FINANCING

11.1 Restrictions on Encumbrances

Except as permitted by Section 11.3, no party will at any time place any lien, pledge, mortgage, lease, sublease, charge or other encumbrance on the whole or any part of its Interest without the prior consent of all the other parties.

11.2 Contribution of Construction Costs and Production Costs

Subject to Section 25, each Participant shall contribute its Proportionate Share of the Construction Costs and Production Costs.

11.3 Entitlement to Pledge

Solely in order to secure loans to contribute their respective Proportionate Share of the Construction Costs and Production Costs and subject to Section 25, the Participants will each be entitled to pledge, mortgage, charge or otherwise encumber, as security for financing their respective contributions, the Property and Assets to the extent of their respective Interests: provided; however, that security will not be given by any Participant unless the proposed pledgee, mortgagee or holder of the charge or encumbrance (the “**Bank**”) is a bank or other financial institution acceptable to the other Participants and the Bank first undertakes in writing with all the other Participants, in form reasonably satisfactory to counsel for those other Participants and binding upon the Bank, that:

- (a) the Bank will not enter into possession or institute any proceedings for foreclosure or partition of an encumbering Participant’s Interest and that the security will be subject to the provisions of this Agreement;
- (b) the Bank’s remedies under that security will be limited to the sale of the whole (but only of the whole) of the encumbering Participant’s Interest held under that security. Before selling the encumbering Participant’s Interest, the Bank must first offer it to the other Participants in accordance with Section 24 and, if the other Participants do not exercise their rights under Section 24, then the Bank may sell the encumbering Participant’s Interest by a sale at a public auction to be held after 90 days prior notice to the other Participants; provided, however, that, as a condition of sale, the purchaser will, prior to completing the purchase, deliver to the parties notice, in form reasonably satisfactory to counsel for the Operator, that the purchaser:
 - (i) assumes all the obligations of the encumbering Participant in connection with this Agreement; and
 - (ii) will be bound by this Agreement.

11.4 Entitlement to Pledge Proportionate Share of Minerals

Notwithstanding any other provisions of this Section 11, each party shall be free to pledge, assign, grant a security interest in or otherwise encumber its Proportionate Share of Minerals produced from the Mine, subject to the lien contemplated in Section 18.

12. **CONSTRUCTION**

12.1 Conduct of Construction

The Management Committee will cause the Operator to, and the Operator will, proceed with Construction with all reasonable dispatch after a Production Notice has been given. Construction will be substantially in accordance with the Construction Program subject to the right of the Management Committee to cause such reasonable variations in the Construction Program to be made as the Management Committee deems appropriate from time to time.

12.2 Completion Date

The Operator may, of its own initiative, and will, forthwith upon request by a Participant, call a Management Committee meeting to consider establishing a Completion Date. The Management Committee will meet to consider specifying a Completion Date. Forthwith upon a Completion Date being established, the Operator will give notice of that date to the parties.

13. **OPERATION OF THE MINE**

13.1 Operating Year

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

13.2 Operating Plan

The Operator will prepare and submit an Operating Plan for each Operating Year, except the first Operating Year, to the Management Committee not later than October 15 in the year immediately preceding the Operating Year to which the Operating Plan relates. The Operating Plan for the first Operating year will be prepared and submitted by the Operator prior to establishment of the Completion Date. Each Operating Plan will contain the following:

- (a) a plan of the proposed Mining Operations;
- (b) a detailed estimate of all Production 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;
- (d) a reconciliation of the quantity and quality of the ore mined and the concentrates or metals produced in the preceding Operating Year against the estimate contained in the Operating Plan for that Operating Year; and
- (e) such other facts as may be necessary to reasonably illustrate the results intended to be achieved by the Operating Plan.

Upon the request of any Participant, the Operator will meet with that Participant to discuss the Operating Plan.

13.3 Adoption of Operating Plan

The Management Committee will consider and adopt each Operating Plan, with such changes as it deems necessary, by November 15 in the year immediately preceding the Operating Year to which the Operating Plan relates or, in the case of the first Operating Plan, by the Completion Date; provided, however, that the Management Committee may propose and approve amendments to any Operating Plan.

13.4 Deadlock on Approval of Operating Plan

If the Management Committee is deadlocked on approving an Operating Plan, the Operator will have the right (but not the obligation) to proceed with the Operating Plan as submitted to the Management Committee; provided that, if the Operating Plan provides for a significant expansion in facilities, then the Operator's right to proceed with the Operating Plan will not apply to those parts of the Operating Plan providing for the significant expansion in facilities. The party which does not approve of the proposed Operating Plan may refer the matter to arbitration in accordance with Section 29, but is prohibited from seeking relief on an urgent or interim nature by application to the courts.

13.5 Expansion of Facilities

If, following the Completion Date, a proposed Operating Plan provides for an expansion in facilities, the cost of which exceeds 25% of the capital costs of the facilities (as set forth in the Feasibility Study upon the basis of which they were constructed), then the Operating Plan will be deemed to be in two parts with:

- (a) the part of the Operating Plan providing for the significant expansion of facilities requiring Special Majority approval; and
- (b) the other part of the Operating Plan requiring Simple Majority approval.

13.6 Participants Must Contribute to Operating Plans

Notwithstanding Section 9.3, each Participant must contribute its Proportionate Share of Production Costs for each Operating Plan adopted by the Management Committee pursuant to Section 13.3 or proceeded with by the Operator under Section 13.4.

14. DISTRIBUTION IN KIND

14.1 Delivery in Kind

Subject to the terms of any pledge on production given in relation to a Third-Party Financing in accordance with Section 25, each Participant will take delivery in kind and will separately dispose of its Proportionate Share of the Minerals produced from the Mine. Unless otherwise unanimously agreed by the representatives of all Participants, the terms of delivery of such Minerals to the Participants will be f.o.b.¹ transport carrier at the concentrator or refinery, as Minerals are produced. Any costs and expenses incurred by reason of the Participants taking in kind and making separate dispositions will be paid by each Participant directly and not through the Operator.

14.2 Weighing, Sampling and Assaying

The Operator will weigh (or calculate by volume), sample and assay, all in accordance with sound mining and metallurgical practices, all Minerals produced from the Mine prior to delivery of those Minerals to the Participants. The Operator will keep records of weights (or calculations,

¹ An acronym for 'Free on Board' meaning the seller pays for transportation of goods to a specified point of delivery, whereupon title for the goods passes to the buyer.

as the case may be) and sample and assay results.

14.3 Entitlement to Use or Dispose Minerals

Each Participant will be entitled to use, dispose of or otherwise deal with its Proportionate Share of Minerals produced as it sees fit. From the time of delivery, each Participant will have ownership of and title to its Proportionate Share of Minerals separate from, and not as tenant in common with, the other Participants.

14.4 Facilities

Each Participant will construct, operate and maintain, all at its own cost and risk, 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.

14.5 Sale or Storage by Operator

If a Participant has not made the necessary arrangements to take in kind and store its Proportionate Share of Minerals, then the Operator shall have the right, in its discretion, and at the sole cost and risk of that Participant, to either:

- (a) sell on behalf of that Participant its Proportionate Share of Minerals and deduct all of its costs and expenses involved in arranging such sale including, but not limited to, a reasonable commission fee, from the sale proceeds; or
- (b) store in any location where it will not interfere with Mining Operations that Participant's Proportionate Share of Minerals in which event all of the costs and expenses involved in arranging and providing storage will be billed directly to, and be the sole responsibility of, the Participant whose Proportionate Share of Minerals is so stored.

14.6 Dore Bars

Notwithstanding the foregoing provisions of this Section 14, if the Minerals produced consist of dore bars, then they will be delivered to such gold refinery as the Operator may select from time to time with the approval of the Management Committee. The Operator will arrange security and insurance for the transport of the dore bars from the Mine to the refinery. The agreement with the refiner will include provisions to the effect that the refiner will assume risk to the dore bars on delivery at the refinery, that the dore bars will be shipped to the refinery for refining, (or to such other refinery as the Operator may designate with the agreement of the Management Committee) and that the refinery will hold for the account of each Participant its Proportionate Share of the refined gold produced by the refinery. Each Participant will separately instruct the refiner as to the sale of its Proportionate Share of the refined gold and will bear its Proportionate Share of all refinery charges and commissions; provided, however, that the Operator will, if so requested by any other Participant, issue the instructions to the refiner regarding the sale of the other Participant's Proportionate Share of the refined gold, the request being deemed to constitute ratification by the other Participant of the instructions issued by the Operator on its behalf from time to time until the other Participant elects to instruct the refiner directly and so notifies the Operator.

14.7 Entitlement to Enter Forward Sales and Hedging Transactions

Nothing herein contained will be deemed to abridge or restrict the right of a Participant to enter into forward sales or other hedging contracts affecting any part or all of its Proportionate Share of Minerals produced or to be produced.

15. **SUSPENSION AND TERMINATION OF MINING OPERATIONS**

15.1 Mine Maintenance Plan

The Operator may, at any time subsequent to the Completion Date, on at least 30 days' notice to all Participants, recommend that the Management Committee approve the suspension of Mining Operations. In considering whether to make such a recommendation, the Operator will take into account good and reasonable mining, environmental and commercial reasons for making the recommendations but will not make a recommendation on the basis of matters particular to the party acting as Operator. The Operator's recommendation will include a plan and budget (in this Section 15 called the "**Mine Maintenance Plan**"), in reasonable detail, of the activities to be performed to maintain the Assets and the Mine during the period of suspension and the Costs to be incurred. The Management Committee may:

- (a) if the Mine Maintenance Plan provides for a suspension of 180 days or less, then by Simple Majority; or
- (b) if the Mine Maintenance Plan provides for a suspension of more than 180 days, then by Special Majority,

approve the Mine Maintenance Plan with such changes as the Management Committee deems necessary. If the Management Committee approves the Mine Maintenance Plan, with or without modifications, then the Participants will be committed to contribute their respective Proportionate Share of the Costs incurred in connection with the Mine Maintenance Plan. The Operator will call a meeting of the Management Committee upon the reasons for the suspension of Mining Operations ceasing to have effect and, in any event, within 90 days of approval of the Mine Maintenance Plan. The Management Committee may cause Mining Operations to be resumed at any time (for greater certainty, by Special Majority if the suspension has lasted for more than 180 days) and will take all reasonable steps to cause Mining Operations to be resumed upon the reasons for the suspension of Mining Operations ceasing to have effect.

15.2 Mine Closure Plan

The Operator may, at any time following a period of at least 90 days during which Mining Operations have been suspended, upon at least 30 days' notice to all Participants, recommend that the Management Committee approve the permanent termination of Mining Operations. The Operator's recommendation will include a plan and budget (in this Section 15 called the "**Mine Closure Plan**"), in reasonable detail, of the activities to be performed to close the Mine and reclaim the Property and the estimated Costs to implement the Mine Closure Plan. The Management Committee may approve the Operator's recommendation by Special Majority with such changes to the Mine Closure Plan as the Management Committee deems necessary.

15.3 Implementation of Mine Closure Plan

If the Management Committee approves the Mine Closure Plan, then the Operator will:

- (a) implement the Mine Closure Plan, whereupon the Participants will be committed to pay their Proportionate Share of the Costs 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 Mine, the Assets and the Property.

15.4 Disposal Price for Assets, Mine and Property

The Operator will obtain an independent valuation of the Assets, the Mine and the Property. The disposal price for the Assets, the Mine and the Property will be the best price obtainable and the net revenues, if any, from such disposal will be credited to the Participants in proportion to their respective Interests. The net revenues, if any, will not be distributed to the Participants until all Shutdown and Reclamation Costs have been paid.

15.5 Non-Approval of Mine Closure Plan

If the Management Committee does not approve the Mine Closure Plan, then the Operator will, unless obliged to implement the Mine Closure Plan by order or direction of applicable Government Authorities, maintain Mining Operations in accordance with the Mine Maintenance Plan as approved pursuant to Section 15.1. If the Mining Operations have been suspended for a period of one year or more and the Management Committee does not approve a Mine Closure Plan, any party may refer the matter to the deadlock resolution provisions in Section 28.4.

15.6 Shutdown and Reclamation Fund

The Operator will establish a cash fund (the “**Shutdown and Reclamation Fund**”) from which all costs and expenses relating to the final shutdown of Operations on the Property, including without limitation, costs associated with employees’ severance pay, as well as costs associated with the reclamation of the Property and with regulatory compliance in that respect (the “**Shutdown and Reclamation Costs**”) will be paid. Any interest income will accrue to the Shutdown and Reclamation Fund. The Operator will, during the period commencing on the earlier of the date on which an Exploration Program providing for significant surface disturbances is adopted by the Management Committee or the date on which a Production Notice is given and expiring on the Completion Date, estimate the Shutdown and Reclamation Costs and bill the parties quarterly for their Proportionate Share of any contribution to the Shutdown and Reclamation Fund so that, at any particular time, the Shutdown and Reclamation Fund is sufficient to meet the estimated Shutdown and Reclamation Costs. The Operator will, at any time after the Completion Date, estimate the additional Shutdown and Reclamation Costs and will include in Production Costs an amount, calculated on a per tonne of production basis, to be contributed to the Shutdown and Reclamation Fund. To the extent to which Programs adopted following the giving of a Production Notice include a requirement for contributions to the Shutdown and Reclamation Fund, the part of the Program requiring such a contribution is mandatory and each of the parties will be obliged to contribute its Proportionate Share of that part of the Program. The Management Committee will annually review the calculation of the Shutdown and Reclamation Fund and will make any adjustments to the calculation thereof and the contribution by the parties thereto as considered necessary.

16. PAYMENT OF COSTS, MANDATORY PROGRAMS AND DEFAULTS IN PAYMENT

16.1 Invoices

The Operator will invoice each Participant for its Proportionate Share of Costs or advances in accordance with the Accounting Procedure. Payments from the Participants (including the Operator) will be deposited in one or more of the bank accounts maintained pursuant to Section **Error! Reference source not found.**

16.2 Non-Discretionary Costs and Mandatory Programs

Notwithstanding Sections 8.1, 8.2 and 8.3, if in any year in which there is no approved Program, circumstances require the Operator to incur Costs in order to maintain tenure to the Property, to satisfy contractual or other obligations imposed by law, to prevent waste or to protect life and property (in this Section 16.2 called "**Non-Discretionary Costs**"), then the Operator will forthwith propose a Program (in this Section 16.2 called a "**Mandatory Program**") to incur those Non-Discretionary Costs and provide each party with a copy thereof. The Mandatory Program will be deemed to be approved by the Management Committee and each of the parties will be obligated to contribute its Proportionate Share of the Non-Discretionary Costs incurred within 30 days of the receipt of the Operator's invoice, failing which Section 16.3 will apply. Non-Discretionary Costs will be deemed to be Exploration Costs for all purposes of this Agreement.

16.3 Default in Making a Contribution

If a party elects to contribute to an approved Program then fails to do so and the Program is subsequently funded by another Participant, the interest of that party expressed as a percentage will be diluted and determined by the following formula:

$$\text{Party's Interest} = A \times \left[\frac{B + Y}{2(B + C)} \right]$$

Where:

A = the Interest of the defaulting party prior to the start of the Relevant Program, as defined below;

B = the sum of all deemed and prior contributions of all parties prior to the start of the Relevant Program;

Y = the actual contributions (if any) of the diluting party to the Relevant Program;

C = the total amount actually contributed by all parties to the Relevant Program; and

"**Relevant Program**" means, in this Section 16.3, a Program to which the defaulting party elected to contribute then failed to do so.

The non-defaulting party's Interest will be adjusted accordingly and, if there is more than one non-defaulting party, then the Interests of the non-defaulting parties will be adjusted in

proportion to their respective Interests prior to the start of the Relevant Program. A party whose Interest has been reduced to less than 5% will be deemed to have surrendered its Interest to the Participants in accordance with Section 10.1 and cease to be a party pursuant to Section 10.2.

17. THE PROPERTIES

17.1 Title to the Property

- (a) Prior to the Operative Date, First Ferro will be entitled to register this Agreement on title to the Property. From and after the Operative Date, title to the Property will be held in the names of First Ferro as to its undivided Interest and Gorilla as to his undivided Interest.
- (b) If the parties agree, title to the Property may be transferred to the Operator which will hold it in trust and for the benefit of the parties in accordance with the provisions of this Agreement.
- (c) For the purposes of enabling a Participant to provide security pursuant to Section 11.3, a Participant may request that the Property be transferred and assigned to the Participants in accordance with their respective Interests.
- (d) Other than as may be required under paragraph (c), any adjustment to a party's Interest need not be evidenced during the term of this Agreement by the execution and delivery of any instrument, but each party's Interest will be determined from time to time by using the books of the Joint Venture kept by the Operator.
- (e) The Operator will be the attorney and agent of all parties having an Interest and will be authorized and empowered to act on their behalf by executing all documents, performing all acts and doing all such other things as it is its sole discretion may deem necessary or desirable in respect of all matters relating to this Section 17.1 and in fulfilling its obligations under Sections 7.3(d), (e), (f) and (g), each party agreeing to execute and deliver all such documents as are required to evidence that authorization from time to time.

17.2 Surrender or Lapse

Notwithstanding Section 17.1 and Section 7.3(d), the Operator shall be entitled, at any time, to surrender all or any part of the Property or to permit the same to lapse, upon first obtaining Special Majority approval of the Management Committee. The other parties will be entitled to receive (if more than one then in proportion to their respective Interests) from the Operator, on request and on payment of the recording fees, prior to the date of surrender or lapse, a conveyance of that portion of the Property intended for surrender or lapse, together with copies of any plans, assay maps, diamond drill records and factual engineering data in the Operator's possession and relating solely thereto. Any such part of the Property will cease to be subject to this Agreement.

18. OPERATOR'S LIEN

Following the Completion Date, the Operator will have a lien on the Participants' Interests to secure their respective Proportionate Shares of committed Costs. If the Operator invokes the

lien for a failure by a Participant to fund its Proportionate Share of Production Costs or other obligations, the Operator may recoup from that Participant's Proportionate Share of Minerals produced from the Mine 100% of the amount owed by that Participant plus an amount of interest calculated annually and payable on demand on the amount owed at the Prime Rate plus 3% based on a year of 365 days and taking into account the number of days for which the defaulted payment is outstanding. If the Operator invokes the lien more than three times in any two year period, the Interest of the Defaulting Participant will be subject to dilution in accordance with the formula in Section 16.3.

19. INDEMNITY AND LIABILITY OF THE OPERATOR

19.1 Operator's Indemnity

Subject to Section 19.2, after the Operative Date each party shall indemnify and save the Operator, in its capacity as such, harmless from and against any loss, liability, claim, demand, damage and expense in connection with loss of life, personal injury or damage to property (including, without limiting the generality of the foregoing, legal fees) arising out of any acts or omissions of the Operator or its officers, employees or agents, contractors, licensees and invitees, as applicable. The obligation of each of the parties to indemnify and save the Operator harmless pursuant to this Section 19.1 will be in proportion to its Interest as at the date that the loss of life, personal injury or damage to property occurred.

19.2 Negligence or Wilful Misconduct

Notwithstanding Section 19.1, the Operator, in its capacity as such, will not be indemnified nor held harmless by the parties for its gross negligence, wilful misconduct or material breach of this Agreement or of Applicable Law or that of its officers, employees or agents. An act or omission of the Operator done or omitted to be done:

- (a) at the direction, or with the express concurrence, of the Management Committee;
or
- (b) in good faith to protect life or property,

will be deemed not to be gross negligence or wilful misconduct.

20. INSURANCE

20.1 Operator to Obtain Insurance

During the Option Period, First Ferro will place and maintain with a reputable insurer or insurers such insurance as it deems advisable in order to protect the parties. First Ferro will, upon the request of Gorilla, provide it with evidence of that insurance. Commencing on the Operative Date, the Management Committee will cause the Operator to place and maintain with a reputable insurer or insurers such insurance as the Management Committee in its discretion deems advisable in order to protect the parties. The Operator will, upon the written request of any Participant, provide it with evidence of that insurance.

20.2 Parties May Obtain Insurance

Notwithstanding Section 20.1, each party may purchase, at its own expense, any other insurance that it wishes for its own protection.

21. PARTITION

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

22. TAXATION

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

23. FORCE MAJEURE

23.1 Suspension of Timing of Obligation

Time shall be of the essence of this Agreement provided, however, that, notwithstanding anything to the contrary contained herein, if any party should at any time or times during the currency of this Agreement be delayed in or prevented from complying with this Agreement by reason of wars, acts of God, strike, lockouts or other industrial disputes, inability to access its place of business, acts of the public enemy, riots, weather conditions, fire, storm, flood, explosion, government restriction, failure to obtain any approvals required from regulatory authorities including environmental protection agencies, unavailability of equipment or qualified personnel, delays of transportation, breakdown of machinery, interference of persons primarily concerned about environmental issues or native rights pressure groups or other causes whether of the kind enumerated above or otherwise which are not reasonably within the control of the applicable party, excluding for greater certainty and without limitation, unavailability of funds, the period of all such delays resulting from such causes or any of them, shall be excluded in computing the time within which anything required or permitted by the applicable party to be done, is to be done hereunder, it being understood that the time within which anything is to be done hereunder shall be extended by the total period of all such delays. Nothing contained in this Section 23 shall require the applicable party to test the constitutionality of any enacted law.

23.2 Notification of Force Majeure

In the event that a party asserts that an event or events of force majeure has occurred, such party shall give notice in writing to the other party specifying the following:

- (a) the commencement date and the cause and nature of the alleged event of force majeure;
- (b) a summary of the action such party or its representatives, agents, contractors or employees have taken to the date of such notice to correct the alleged event of force majeure;
- (c) confirmation as to all acts, actions and things done by such party or its representatives, agents, contractors or employees to terminate the event of force majeure; and
- (d) the reasonably expected duration of the period of force majeure.

A party claiming an event or events of force majeure shall provide ongoing periodic notice in writing to the other party with respect to an event or events of force majeure, including the matters set out above, within 15 days of the end of each calendar month during the period of force majeure and shall provide prompt notice in writing to the other party upon the termination of the event or events of force majeure.

23.3 Labour Disturbance or Dispute

Notwithstanding Sections 23.1 and 23.2, the terms of settlement of any labour disturbance or dispute, strike or lock-out will be wholly in the discretion of the Operator or the party claiming suspension of its obligations by reason thereof and the Operator or that party will not be required to accede to the demands of its opponents in any such labour disturbance or dispute, strike or lock-out solely to remedy or remove the cause of the prevention or delay.

23.4 Exemption

The extension of time for the observance of conditions or performance of obligations as a result of force majeure will not relieve the Operator from its obligations under Section 7.3(e) or the parties of their obligations under Section 16.2.

24. **RIGHT OF FIRST REFUSAL**

24.1 No Transfer Except in Accordance With This Agreement

Subject to Section 2.5 or unless otherwise permitted or required by this Agreement, no party may transfer, assign or dispose of, in whole or in part, directly or indirectly, its Interest.

24.2 Notice and Exercise of Right of First Refusal

- (a) Except as otherwise expressly set out herein if a party (hereinafter in this Section 24 called the “**Seller**”) wishes to transfer, assign or dispose all or part of its Interest or if it receives an offer from a third-party to purchase all or part of its Interest which it intends to accept (hereinafter in this Section 24 called the “**Third-Party Offer**”), the other parties (hereafter in this Section 24 called the “**Buyers**”) will be entitled to a right of first refusal in respect thereof as follows:
 - (i) the Seller will give written notice (hereafter called the “**Offering Notice**”) to the Buyers of the Seller’s intention to sell. The Offering Notice will describe the Interest or part thereof that is being offered for sale, will state the *bona fide* cash consideration and other terms on which the sale is intended to be made by the Seller including all conditions to the agreement imposed or to be imposed by the Seller. The Offering Notice will include a copy of the Third-Party Offer, if any, and information identifying the third-party;
 - (ii) the offer in the Offering Notice will:
 - (A) be open for acceptance for a period (hereinafter called the “**Acceptance Period**”) of 30 days after receipt by the Buyers of the Offering Notice;
 - (B) be irrevocable by the Seller during the Acceptance Period; and

- (C) upon fulfillment or waiver of all conditions specified in the Offering Notice be the unconditional obligation of the Seller;
 - (iii) the Buyers (if more than one, then in proportion to their respective Interests at that time) will be entitled to acquire the Interest or part thereof offered for sale on the terms in the Offering Notice by giving written notice thereof to the Seller before the expiration of the Acceptance Period;
 - (iv) if the Buyers do not within the Acceptance Period give notice of acceptance for the price and on the terms offered in the Offering Notice to purchase the Interest, then the Seller will be entitled for a period of six months after the expiry of the Acceptance Period to sell to the third-party the Interest first offered for sale on terms no less favourable to the Seller than those described in the Offering Notice and provided that the sale to the third-party will be subject to the third-party entering into an agreement with the other parties, in form reasonably satisfactory to counsel for the other parties, whereby the third-party agrees to be bound by the provisions of this Agreement; and
 - (v) if the Seller does not transfer its Interest or part thereof by one of the methods provided for in this Section 24, then any subsequent transfer of the same or any other Interest which the Seller wishes to make will again be subject to all of the provisions of this Section 24.
- (b) The purchase and sale of the Interest resulting from the acceptance of an Offering Notice will be completed at the office of the Seller at 10:00 a.m. (local time) on the tenth Business Day after the last of the conditions specified in the Offering Notice has been either fulfilled or waived (unless otherwise agreed by the parties). Such place and time are hereafter referred to as the “**Transfer Location**” and “**Transfer Time**”, respectively. At the Transfer Time, the payment of the purchase price for the Interest will be made by the Buyers against delivery by the Seller of all such documents and instruments of transfer (the “**Transfer Documents**”) as may be required to effectively transfer the Interest from the Seller to the Buyers and the purchase of that Interest will be deemed to have been fully completed and all right, title, benefit and interest, both at law and in equity, in and to the Interest or the relevant part thereof will be conclusively deemed to have been transferred to and become vested in the Buyers and all right, title, benefit and interest, both at law and in equity, of the Seller, or of any third-party purporting to have any interest, legal or equitable, thereon or thereto, whether as a Participant or otherwise, will cease and determine.
- (c) To the extent that the Seller fails to execute or deliver all such assignments, transfers, deeds and instruments as may be necessary to effect a Transfer contemplated in this Section 24, the Seller hereby irrevocably constitutes and appoints the Buyers as its true and lawful attorneys-in-fact and agrees for, in the name of and on behalf of the Seller to execute and deliver in the name of the Seller all such assignments, transfers, deeds and instruments as may be necessary to transfer effectively the Seller’s Interest, or the relevant part thereof, to the Buyers or their nominees. Such appointment and power of attorney, being coupled with an interest, will not be revoked by the insolvency or bankruptcy of the Seller and the Seller hereby ratifies and confirms and agrees to ratify and confirm all that the Buyers may lawfully do or cause to be done by virtue of the

provisions hereof. The Seller hereby irrevocably consents to any transfer of the Interest or any part thereof made pursuant to the provisions of this Section 24.

- (d) For the purposes of comparing and valuing any non-cash consideration included in a Third-Party Offer, share consideration of a public company shall be considered to have the same value as the 20 trading day average closing price of such shares immediately prior to the date of the Third-Party Offer.

24.3 Exempt Transfers

Sections 24.1 and 24.2 shall not apply to a transfer which is:

- (a) made by any party to an Affiliate of such party of all or part of such party's Interest, provided that: (i) the transferor will deliver notice of the transfer in writing to the other parties at least 10 days prior to the transfer; (ii) concurrently with such transfer, the transferee Affiliate will do or cause to be done all such acts as are required for the transferee Affiliate to become a party to this Agreement, and assume all obligations of the transferring party hereunder; (iii) the transferor executes such documents as the other parties may reasonably require to guarantee the performance of the obligations of the Affiliate hereunder; and (iv) the transferee Affiliate agrees in writing with the other parties to retransfer such Interest to the original party before ceasing to be an Affiliate of such original party; or
- (b) made by any party of all or part of such party's Interest as a result of a corporate merger, consolidation, amalgamation or reorganization by which the surviving entity will possess substantially all of the stock, or all of the property rights and interests, and be subject to substantially all of the liabilities and obligations of that party.

25. **THIRD-PARTY FINANCING**

If a Feasibility Study demonstrates to the satisfaction of the Management Committee that a Mine offering an acceptable rate of return on investment can be brought into commercial production on the Property, or any portion thereof, then the parties will use their reasonable commercial efforts to cause to be provided by third parties not less than 65% of all such financing as will be required to bring such Mine into production (the "**Third-Party Financing**"). If Third-Party Financing is provided, each of Gorilla and First Ferro will fund its Proportionate Share of the remainder of the required financing and will enter into such forward sales and hedging arrangements as may be required in order to obtain such Third-Party Financing. Notwithstanding the foregoing, all financings will be subject to Special Majority approval of the Management Committee.

26. **INVENTIONS AND TECHNICAL DATA**

26.1 Inventions

All inventions developed by, or acquired for the benefit of the Joint Venture, the cost of which is included as a Cost under this Agreement, will be the property of the parties. Each party hereby grants to the other party for use by the latter and its Affiliates in their own operations and in the Joint Venture a non-exclusive, world-wide, royalty-free licence under any patents which issue on those inventions, which licence will survive the termination of this Agreement.

26.2 Technical Data

Information, know-how, data, technical records, engineering trade secrets, maps, plans and drawings (hereinafter collectively referred to as "**Technical Data**"), developed or acquired by the Joint Venture in the course of Operations, the cost of development or acquisition of which has been included as a Cost of the Joint Venture under this Agreement, will be jointly owned by the Participants and may be used without payment of royalties by each of them and their Affiliates in their own operations and in the Joint Venture. Each party and its Affiliates will maintain as confidential and not disclose Technical Data to third parties without the written consent of the Participants before two years after the date that the former party withdraws from this Agreement or this Agreement terminates; provided that this obligation will not apply to:

- (a) Technical Data which is or becomes part of the public domain other than through a breach of this Agreement;
- (b) Technical Data already in the possession of a party or its Affiliates prior to receipt thereof from any other party or its Affiliates or development undertaken by the Joint Venture under this Agreement;
- (c) Technical Data lawfully received by a party or an Affiliate from a third-party not under an obligation of secrecy;
- (d) Technical Data independently developed by one or more employees of a party or an Affiliate who did not have access to information developed or acquired by the Joint Venture under this Agreement; and
- (e) Technical Data required to be disclosed by law, by regulation of any securities regulatory authority or stock exchange, or in connection with the filing of any prospectus, statement of material facts, registration statement, management information circular, or other similar documents by either party or any of its Affiliates.

26.3 Disclosure of Technical Data and Inventions

A party or its Affiliates may disclose Technical Data and inventions to third parties to allow the latter to conduct services for the disclosing party or its Affiliates if the third parties have entered into a secrecy agreement in form and substance satisfactory to the other parties.

27. AMENDMENTS AND WAIVER

27.1 Entire Agreement

This Agreement constitutes the entire agreement between the parties relating to the subject matter hereof and supersedes all prior discussions and agreements with respect thereto including, without limitation, the agreement dated June 6, 2011 referred to in the recitals hereto.

27.2 Amendments

An amendment or variation of this Agreement will be binding upon a party only if evidenced in writing executed by that party.

27.3 Waiver

The waiver by a party of any breach of this Agreement will only be binding upon that party if evidenced in writing and executed by that party. Any waiver will extend only to the particular breach so waived and will not limit any rights of such party with respect to any future breach.

28. **DEADLOCKS AND DISPUTES**

28.1 Referral to Chief Executive Officers

Any deadlock or dispute arising out of this Agreement shall be referred initially by the parties to their respective chief executive officers (or such other persons as may be designated by the chief executive officer) for settlement in good faith. The chief executive officers or designees will meet within seven days of the date on which the deadlock or dispute is so referred. If the deadlock or dispute cannot be resolved, then the chief executive officers shall, within 14 days of the initial meeting, meet again in the presence of a mediator (whose expenses shall be paid by the parties in proportion to their respective Interests) to attempt to settle the deadlock or dispute. The unanimous decision of the chief executive officers shall be binding on the parties. If the deadlock or dispute is not resolved within 21 days of the initial referral to the chief executive officers, the remainder of this Section 28 shall apply.

28.2 Resolution during Exploration Programs

Subject to Section 28.1, if, on or after the Operative Date, one party wishes to proceed with an Exploration Program (the "**Participating Party**") and the other party does not wish to proceed with the Exploration Program (the "**Non-Participating Party**"), then the Participating Party may elect in writing to proceed with the Exploration Program by funding 100% of the Budget for the Exploration Program. The Non-Participating Party's interest shall be adjusted in accordance with Section 8.6. The Non-Participating Party may, on a one time basis, on or before the completion of the Exploration Program, elect in writing to re-acquire its interest by reimbursing the Participating Party at an amount equal to 150% of the amount contributed by the Participating Party.

28.3 Resolution during Construction Program or Operating Plans

Subject to Section 28.1, if, on or after the Operative Date, one party wishes to proceed with a Construction Program or Operating Plan, as the case may be, (the "**Participating Party**") and the other party does not wish to proceed with the Construction Program or Operating Plan, as the case may be, (the "**Non-Participating Party**"), then the Participating Party may elect in writing to proceed with the Construction Program or Operating Plan, as the case may be, by funding 100% of the Budget for such Program or Plan, as the case may be. The Non-Participating Party's Interest shall be adjusted in accordance with Section 9.7 in respect of a Construction Program and in accordance with Section 8.6 in respect of an Operating Plan. The Non-Participating Party may, on a one-time basis, on or before the completion of the Construction Program or Operation Plan, as the case may be, elect in writing to re-acquire its Interest by reimbursing the Participating Party at an amount equal to 150% of the amount contributed by the Participating Party.

28.4 Resolution for Failure to Approve a Mine Closure Plan

Subject to Section 28.1, if, in accordance with Section 15.5, Mining Operations have been suspended for a period of one year or more and the Management Committee does not approve

a Mine Closure Plan, then the Mine Closure Plan will be determined by a special arbitration according to the procedures established under Section 29 and this Section 28.4. In such arbitration, each Participant shall be entitled to submit to the arbitrator its proposal for the Mine Closure Plan and the arbitrator will be entitled to choose from among the submissions received but will not be entitled to make any other award. The Mine Closure Plan chosen by the arbitrator will be deemed to be a Mine Closure Plan approved by the Management Committee.

28.5 Resolution of Other Matters

Subject to Section 28.1, any deadlock or dispute under any provision of this Agreement that is not resolved by or dealt with in this Section 28 (including a matter which requires Simple Majority approval or Special Majority approval which is not obtained) shall be determined by arbitration according to the procedures established under Section 29.

29. ARBITRATION

29.1 Arbitration of Disputes

Subject to Section 28, all disputes arising out of or in connection with this Agreement will be referred to and finally resolved by arbitration under the rules of *The Commercial Arbitration Act* (British Columbia) by a sole arbitrator.

29.2 Notice to Arbitrate

Any party may refer any such matter to arbitration by written notice to the other parties and, within 30 days after receipt of such notice, the parties shall endeavour to agree on the appointment of an arbitrator, who shall be capable of commencing the arbitration within 21 days of his appointment. The arbitrator shall be a person who by a combination of education and experience is competent to adjudicate the matter in dispute and who has indicated his willingness and ability to act as arbitrator in accordance with this Section 29. If the parties are unable to agree on an arbitrator, a three-member panel shall be appointed consisting of one arbitrator appointed by First Ferro, one arbitrator appointed by Gorilla, and such two appointees shall select a third arbitrator.

29.3 Arbitration Award

The award of the arbitrator will be final and binding upon each of the parties and will not be subject to appeal or judicial review.

30. AGREEMENT TERMINATION AND SURRENDER

30.1 Termination of Joint Venture and Agreement

Except as contemplated in Sections 2.5, 10.2, 19 or 30.2, the Joint Venture and this Agreement shall terminate:

- (a) by agreement of all parties having an Interest;
- (b) if one party acquires a 100% Interest;
- (c) in the events described in Section 30.2; or

- (d) upon notification from the Operator that a Mine Closure Plan has been completed and the other duties of the Operator in relation thereto have been fulfilled as contemplated in Section 15.3.

30.2 Withdrawal

Any party may at any time upon notice, withdraw from this Agreement by surrendering its entire Interest to the other parties in accordance with this Section 30.2. A party that wishes to withdraw (the "**Withdrawing Party**") shall give notice of surrender to the other parties, which notice of surrender shall:

- (a) indicate a date for surrender not less than three months after the date on which the notice is given;
- (b) contain an undertaking that the Withdrawing Party will:
 - (i) satisfy its Proportionate Share, based on its then Interest, for all amounts chargeable to it in respect of Operations performed prior to the date of surrender; and
 - (ii) pay its Proportionate Share, based on the Interest which it surrendered, of the Costs of rehabilitating and reclaiming the Mine site and the Property that are in excess of the Shutdown and Reclamation Costs contributed by the Withdrawing Party up until the date of notice as such excess Costs are estimated by the Operator at the time of the notice of surrender, acting reasonably, and provided that the Withdrawing Party is entitled to dispute such assessment promptly after receiving such estimate; and
 - (iii) not, for a period of two years from the date of surrender, acquire, directly or indirectly any mineral claims, rights or interests in the Area of Interest; and
- (c) include with it a release in writing, in form acceptable to counsel for the other parties, releasing the other parties from all claims and demands hereunder, except for those which arose or accrued or were accruing due on or before the date of surrender.

A party to whom a notice of surrender has been given as contemplated in this Section 30.2 may elect, by notice given within 90 days to the Withdrawing Party, to accept the surrender or to join in the surrender. The Withdrawing Party shall execute and deliver all such documents as are required to convey its Interest to the parties that elect to accept the surrender (if more than one then in proportion to their respective Interests). If all of the parties join in the surrender, then the Joint Venture will terminate in accordance with Section 15, the party which was the Operator being obligated to continue as Operator to give effect to the termination and the other parties being obligated to fund their respective Proportionate Shares of the Costs incurred in respect thereof. Upon the surrender of its entire Interest as contemplated in this Section 30.2, the Withdrawing Party will be relieved of all obligations and liabilities hereunder except for those contemplated in Sections 30.2(a) and (b).

30.3 Effect of Termination

The termination of this Agreement shall not relieve the parties from any obligations or liability accruing to them under this Agreement or in consequence of Operations performed pursuant to this Agreement prior to the termination date and, without limitation, each party shall be and remain liable for its Proportionate Share of unfunded decommissioning and shut down costs and expenses, including all required environmental clean-up, reclamation and rehabilitation.

30.4 Winding up of Joint Venture

Promptly after termination of the Joint Venture under this Section 30, the Operator, under the supervision of the Management Committee, shall take all action necessary to wind up the activities of the Joint Venture, provided that all costs and expenses incurred in connection with the termination of the Joint Venture shall be Costs chargeable to the Joint Venture.

30.5 Continuing Authority

On termination of this Agreement under Section 30.1, the Operator shall have the power and authority to do all things on behalf of the parties which are reasonably necessary or convenient to wind up Operations, and complete any transaction and satisfy any obligation, unfinished or unsatisfied, at the time of such termination or withdrawal, if the transaction or obligation arises out of Operations prior to such termination or withdrawal. The Operator, under the supervision of the Management Committee, shall have the power and authority to grant or receive extensions of time or change the method of payment of an already existing liability or obligation, prosecute and defend actions on behalf of the parties and the Joint Venture and take any other reasonable action in any matter with respect to which the parties continue to have, or appear or are alleged to have, a common interest or a common liability.

30.6 Right to Data After Termination

The Operator shall, if requested in writing by a party within 60 days after termination, make available for inspection and copying by that party, all factual geological, geochemical, geophysical and engineering data (not including interpretive data) and maps and available drill core, and the books and records pertaining to the Property which the Operator has obtained from or maintained for the Operations and which are then in the Operator's possession or control. The Operator shall not be required to make any representation or warranty as to the accuracy or completeness of the data, maps, drill core, books and records and shall not be liable on account of the use of the data, maps, drill core, books and records by that Participant or any other person.

31. ADDITIONAL COVENANTS

31.1 Further Assurances

The parties hereto covenant and agree to do or cause to be done all acts or things necessary to implement and carry into effect the provisions and intent of this Agreement. Without limitation, each of the parties shall from time to time execute and deliver all such further documents and instruments and do all such further acts and things as another party may reasonably require effectively to carry out or better evidence or perfect the full intent and meaning of this Agreement.

31.2 Indemnities

- (a) Subject to Section 19, each party shall indemnify and hold the other (and its directors, officers, employees and agents) harmless against and in respect of any and all Losses arising from, relating to or in any way connected with a breach by or default of the indemnifying party of the provisions of this Agreement including, in the case of Gorilla, a breach of the representations and warranties set forth in Section 3.2.
- (b) Notwithstanding the generality of paragraph (a), but subject to Section 19.1, First Ferro shall indemnify and hold Gorilla harmless against and in respect of any and all Losses arising from, relating to or in any way connected with the following:
 - (i) Any loss of life, injury to persons or property or damage to the Property or any part thereof, the natural environment or natural resources arising out of work or operations conducted on the Property by Gorilla as Operator or caused by any act or omission on the part of Gorilla after the date of this Agreement but prior to the Operative Date including, without limitation, the actual, alleged or threatened disposal, release, storage, transportation, treatment, generation or escape of Hazardous Substances generated, stored, used, disposed of, treated, handled or shipped by Gorilla in connection with Gorilla's operations on the Property; and
 - (ii) Any clean up and remediation including, without limitation, all studies, tests, reports and investigations associated with the clean up and remediation of Hazardous Substances released, disposed of or discharged by Gorilla in connection with Gorilla's operations on the Property prior to the Operative Date.
- (c) Notwithstanding the generality of paragraph (a), Gorilla shall indemnify and hold First Ferro (and its directors, officers, employees and agents) harmless against and in respect of any and all Losses arising from, relating to or in any way connected with the following:
 - (i) Any loss of life, injury to persons or property or damage to the Property or any part thereof, the natural environment or natural resources arising out of work or operations conducted on the Property by First Ferro prior to the Option Period or caused by any act or omission on the part of First Ferro prior to the Operative Date including, without limitation, the actual, alleged or threatened disposal, release, storage, transportation, treatment, generation or escape of Hazardous Substances generated, stored, used, disposed of, treated, handled on or shipped by First Ferro in connection with First Ferro's operations on the Property; and
 - (ii) Any clean up and remediation including, without limitation, all studies, tests, reports and investigations associated with the clean up and remediation of Hazardous Substances released, disposed of or discharged whether or not by First Ferro in connection with operations on the Property prior to the Operative Date.

32. GENERAL

32.1 Notices

Any notice, direction or other instrument required or permitted to be given under this Agreement shall be in writing and given by personal delivery or by delivering or sending it by facsimile or other similar form of communication addressed:

(a) To Gorilla at:

GORILLA MINERALS CORP.
2000 – 1177 West Hastings Street
Vancouver, BC V6E 2K3

(b) To First Ferro at:

FIRST FERRO MINING LTD.
2101 – 1455 Howe Street
Vancouver, BC V6Z 1C2

Any such notice, direction or other instrument given as aforesaid shall be deemed to have been effectively given, if sent by facsimile or other similar form of telecommunication, on the next Business Day following such transmission or, if delivered, to have been received on the date of such delivery. Any party may change its address for service from time to time by notice given in accordance with the foregoing and any subsequent notice will be sent to such party at its changed address.

32.2 Public Statements

The text of any voluntary public statements which a party or its Affiliates wish to make with respect to the Property shall be made available to the other party by notice at least 24 hours prior to release and the other party shall have the right during such 24 hour period to make suggestions for changes therein. The text of any press release or other public statements which a party or its Affiliates consider they are required by law to make with respect to the Property or which are contained in any prospectus, statement of material facts, registration statement, management information circular or other similar document shall be provided to the other party by notice at the time of or prior to publication or filing with the securities regulatory authorities or stock exchanges. No party will utilize the name of any other party in any press release or other public statement without the consent of that party unless required by law.

32.3 Confidentiality

Except as otherwise provided hereunder, the parties agree to treat all information, data, reports and other records (including the terms and existence of this Agreement and the identity of the parties) (collectively, the “**Information**”) relating to the business of the Joint Venture as confidential and shall not disclose such Information to any person other than their legal advisors or auditors without the prior written consent of the other party; provided, however, that no party shall be liable for any such disclosure if such Information:

(a) becomes generally available to the public other than as a result of a disclosure by a party or its representatives in violation of this Agreement;

- (b) was available to a party on a non-confidential basis without violation of this Agreement prior to its disclosure by any party;
- (c) becomes available to a party on a non-confidential basis without violation of this Agreement from a source other than the other party or any representative of the other party provided that such source is not bound by a duty of confidentiality to the Joint Venture or any of the parties;
- (d) is made to any contractor, consultant, surety or any entity which provides financing for a Participant, where any such person reasonably needs to know such Information in the course of providing services to or otherwise dealing with the party making such disclosure and has executed a confidentiality undertaking containing provisions at least as onerous as in this Section 32.3;
- (e) is made to a potential buyer in contemplation of a sale of such party's Interest, provided such buyer executes a confidentiality undertaking containing provisions at least as onerous as in this Section 32.3, excluding this paragraph (e); or
- (f) is required to be disclosed by Applicable Laws, provided that a party first notifies the other party that it believes it is required to disclose such Information and it allows a reasonable period of time for the disclosure of such Information to be contested.

The provisions of this Section 32.3 shall survive the termination of this Agreement for a period of one year.

32.4 Expenses

Each party shall pay its own legal and other costs and expenses incurred in connection with the drafting of this Agreement and agrees to save harmless each other party from and against any and all claims whatsoever for any commissions or other remuneration payable or alleged to be payable to anyone acting on its behalf.

32.5 Time of Essence

Subject only to Section 23, time is of the essence of this Agreement.

32.6 Successors and Assigns

This Agreement shall enure to the benefit of and be binding upon the parties and their respective successors and permitted assigns under Section 2.5 or Section 24.

32.7 Governing Law

This Agreement shall be governed by and interpreted in accordance with the laws of the Province of British Columbia. Each of the parties agrees to submit and attorn to the non-exclusive jurisdiction of the Courts of the Province of British Columbia on any actions commenced between the parties or any of them that are not subject to arbitration under Section 29.

32.8 Counterparts

This Agreement may be executed in any number of counterparts and by electronic transmission, each of which shall be considered to be an original and together shall constitute one and the same document.

IN WITNESS WHEREOF the parties have duly executed this Agreement as of the year and date set forth on the first page hereof.

By the Optionor and Operator

GORILLA MINERALS CORP.

By: "Scott Sheldon"
Scott Sheldon, President

By the Optionee

FIRST FERRO MINING LTD.

By: "Karl Antonius"
Karl Antonius, President

SCHEDULE "A"

PROPERTIES

| <u>Claim</u> | <u>Grant Number</u> | <u>Mining District</u> |
|---------------------|----------------------------|-------------------------------|
| WELS 1 - 28 | YE41635 – YE41662 | Whitehorse, Yukon Territory |
| WELS 31 – 56 | YE41665 – YE41690 | Whitehorse, Yukon Territory |
| WELS 63 – 88 | YE41697 – YE41722 | Whitehorse, Yukon Territory |
| WELS 127 – 136 | YE73837 – YE73846 | Whitehorse, Yukon Territory |

SCHEDULE "B"

ACCOUNTING PROCEDURES

1. INTERPRETATION

- 1.1 In this Schedule the following words, phrases and expressions shall have the following meanings:
- (a) **"Agreement"** means the Agreement to which this Accounting Procedure is attached as Schedule "B";
 - (b) **"Count"** means a physical inventory count;
 - (c) **"Employee"** means those officers, employees and consultants of the Operator, wherever located, who are assigned to and directly engaged in the conduct of the Operations, whether on a full-time or part-time basis;
 - (d) **"Employee Benefits"** means the Operator's cost of holiday, vacation, sickness, disability benefits, field bonuses, amounts paid to and the Operator's costs of established plans for employee's group life insurance, hospitalisation, pension, retirement and other customary plans maintained for the benefit of Employees which costs may be charged as a percentage assessment on the salaries and wages of Employees on a basis consistent with the Operator's cost experience;
 - (e) **"Field 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) **"Government Contributions"** means the cost or contributions made by the Operator pursuant to assessments imposed by governmental authority which are applicable to the salaries or wages of Employees;
 - (g) **"Joint 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 Operations;
 - (h) **"Material"** 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 Operations and, without limiting the generality, more particularly "Controllable Material" means such Material which is ordinarily classified as Controllable Material, as that classification is determined or approved by the Management Committee, and controlled in the Operations;
 - (i) **"Project Offices"** means the offices of the Operator at which work in respect of the Property is carried on, but excludes the Field Offices; and
 - (j) **"Reasonable Expenses"** means the reasonable expenses of Employees for which those Employees may be reimbursed under the Operator's usual expense account practice; including, without limiting generality, any relocation expenses necessarily incurred in order to properly staff the Operations if the relocation is approved by the Management Committee.

1.2 The other capitalized terms in this Schedule "B" shall have meanings given to them in the Agreement.

2. STATEMENTS AND BILLINGS

2.1 The Operator shall, by invoice, charge each Participant with its Exploration Program Percentage or Mining Program Percentage, as applicable, of Exploration Costs and Mine Costs in the manner provided in Sections 8 and 16 of the Agreement respectively.

2.2 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 summarised by appropriate classification indicative of the nature of the charges and credits,

and the Operator shall provide to each Participant upon request, a copy of each invoice paid by the Operator that is in excess of \$50,000.

2.3 The Operator shall deliver with each invoice for an advance of Costs a statement 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 addition 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 month preceding the month of the invoice; and
- (c) the advances made by each Participant to date and the Exploration Costs or Mine Costs incurred to the end of the month preceding the month of the invoice.

3. DIRECT CHARGES

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

(a) Contractor's Charges

All proper costs relative to the Operations incurred under the 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 Operations and as its denominator the total normal working time for the month of the Employee;

- (ii) the Reasonable Expenses of the Employees in connection with Operations; and
- (iii) Employee Benefits and Government Contributions 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 costs, as the case may be, of maintaining and operating the Field Offices and Project 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; and
 - B. that portion of maintaining and operating each of the Project Offices which is equal to
 - (1) the anticipated total operating expenses of the Project Office, except in the case of the Operator's head office, rent and other costs of the head office not relating to work on Operations shall not be included;

divided by
 - (2) the anticipated total staff man days for the Employees at the relevant Project Office whether in connection with the Operations or not;

multiplied by
 - (3) the actual total time spent on the Operations by the Employees at the relevant Project Office expressed in man days.
- (ii) 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 expenses and actual total staff man days referred to in clause 3.1(c)(i)(B) of this Schedule "B".

(d) Material

Material purchased, rented, leased or furnished by the Operator for use on a Property as provided under Section 4 of this Schedule "B".

(e) Transportation Charges

The cost of transporting Employees and Material necessary for the Operations.

(f)

Service Charges

- (i) the cost of services and utilities procured from outside sources other than services covered by paragraph 3.1(h). The cost of consultant services shall not be charged to the Joint Account unless the retaining of the consultant is approved in advance by the Management Committee; and
- (ii) use and service of equipment and facilities furnished by the Operator as provided in Section 4.5 of this Schedule "B".

(g) Damages and Losses to Joint Property

All costs necessary for the repair or replacement of Assets made necessary because of damages or losses by fire, flood, storms, 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 has been discovered. The proceeds, if any, received on 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 of 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 expenses 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 the Property, the 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 Operations as may be required to be carried by law; and
- (ii) such other policies of insurance as the Operator may carry for the protection of the parties in accordance with the Agreement; and

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 Operations.

(l) Permits

Permit costs, fees and other similar charges which are assessed by various governmental agencies.

(m) Other Expenditures

Such other costs and expenses which are not covered or dealt with in the foregoing provisions of this Section 3.1 of this Schedule "B" as are incurred with the approval of the Management Committee for Operations or as may be contemplated in the Agreement.

4. PURCHASE OF MATERIAL

4.1 Subject to Section 4.4 of this Schedule "B" the Operator shall purchase all Materials and procure all services required in the Operations.

4.2 Materials purchased and services procured by the Operator directly for the Operations shall be charged to the Joint Account at the price paid by the Operator less all discounts actually received.

4.3 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 minimise the accumulation of surplus stocks of Material.

4.4 Any Participant may sell Material or services required in the Operations to the Operator for such price and upon such terms and conditions as the Management Committee may approve.

4.5 Notwithstanding the foregoing provisions of this Section 4, the Operator shall be entitled to supply for use in connection with the Operations equipment and facilities which are owned by the Operator and to charge the Joint Account with such reasonable costs as are commensurate with the ownership and use thereof.

5. DISPOSAL OF MATERIAL

5.1 The Operator, with the approval of the Management Committee in accordance with the Agreement, may, from time to time, sell any Material which has become surplus to the foreseeable needs of the Operations for the best price and upon the most favourable terms and conditions available.

5.2 Any Participant may purchase from the Operator any Material which may from time to time become surplus to the foreseeable need of the Operations for such price and upon such terms and conditions as the Management Committee may approve.

- 5.3 Upon termination of the Agreement, the Management Committee may approve the division of any Material held by the Operator at that date, which Material may be taken by 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.
- 5.4 The net revenues received from the sale of any Material to third parties or to a Participant shall be credited to the Joint Account.

6. INVENTORIES

- 6.1 The Operator shall maintain records of Material in reasonable detail and records of Controllable Material in detail.
- 6.2 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.
- 6.3 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 part of the Operator.

7. ADJUSTMENTS

- 7.1 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; provided, however, that 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 that Participant gives notice to the Operator making claim on the Operator for an adjustment to the invoice or statement.
- 7.2 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.
- 7.3 Notwithstanding Sections 7.1 and 7.2 of this Schedule "B", the Operator may make adjustments to an invoice or statement which arises out of a physical inventory of Material of Assets.
- 7.4 A Participant shall be entitled upon notice to the Operator to request that the independent external auditor of the Operator provide that Participant with its opinion that any invoice or statement delivered pursuant to the Agreement in respect of the period referred to in Section 7.1 of this Schedule "B" has been prepared in accordance with this Agreement.

- 7.5 The time for giving the audit opinion contemplated in Section 7.4 of this Schedule "B" shall not extend the time for the taking of exception to and making claims on the Operator for adjustment as provided in Section 7.1 of this Schedule "B".
- 7.6 The cost of the auditor's opinion referred to in Section 7.4 of this Schedule "B" 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.

SCHEDULE "C"

NET PROCEEDS OF PRODUCTION

1. OBLIGATION

1.1 If any non-Participant becomes entitled to a royalty pursuant to Sections 8.6, 9.8 or 16.5 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.

1.2 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 non-Participant that percentage of the Net Proceeds of Production to which that non-Participant is entitled under Sections 8.6, 9.7 or 16.3 of the Agreement;

(b) deliver to each non-Participant a statement indicating:

(i) the Gross Receipts during the calendar quarter;

(ii) the deductions therefrom made in the order itemised in Section 3.1 of this Schedule "C";

(iii) the amount of Net Proceeds of Production remaining; and

(iv) the amount of those Net Proceeds of Production to which that non-Participant is entitled;

provided, however, that until such time as there are Net Proceeds of Production available, each Participant shall deliver to each non-Participant, 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 itemised in Section 3.1 of this Schedule "C".

1.3 Nothing contained in the Agreement or this Schedule "C" shall be construed as:

(a) imposing on a Participant any obligation with respect to the payments of royalty due hereunder to a non-Participant from any other Participant; or

(b) conferring on any non-Participant any right to or interest in any property or assets except the right to receive royalty payments from each Participant as and when due.

1.4 The Participants agree that on the request of any non-Participant they will execute and deliver such documents as may be necessary to permit that non-Participant to record its royalty right against the [X Project].

2. DEFINITIONS

2.1 In addition to the definitions of the classes of costs provided in paragraph 1.1(n) of the Agreement and without limiting the generality thereof:

- (a) **"Distribution Costs"** means all costs and expenses of:
- (ii) in the case of Minerals other than Diamonds (defined below), (A) transporting ore or concentrates from a Mine or a concentrating plant to a smelter, refinery or other place of delivery 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, (B) handling, warehousing and insuring the concentrates and metals, and (C) in the case of concentrates tolled, of smelting and refining, including any penalties thereon or in connection therewith; and
 - (ii) in the case of diamonds and other precious or semi-precious stones (collectively, "Diamonds"), (A) preparing rough Diamonds for sale including, without limitation, for sorting, weighing, grading, valuing, pricing, parcelling (any or all of the foregoing, "**sorting**") and cleaning, (B) shipping and transporting (including packaging, insurance, security, transaction taxes, handling, port, demurrage, delay, and forwarding expenses incurred by reason of or in the course of transportation) Diamonds from the Property to the place of sale, and (C) insurance, security, packing, storage and representation at a facility where the sorting or cleaning of Diamonds takes place;
- (b) **"Interest Costs"** means interest computed quarterly and not in advance calculated as follows:
- (i) the average of the opening and closing monthly outstanding balances for each month during the quarter of the net unrecovered amounts of all costs in the classes enumerated in subparagraphs 1.1(n), (ii), (iii), (v) and (vi) of the Agreement, and in paragraphs 2.1(a), (b), (c) and (d) of this Schedule "C";
multiplied by
 - (ii) the Prime Rate plus two percent;
multiplied by
 - (iii) the number of days in the quarter
divided by
 - (iv) the number of days in the Year;
- (c) **"Marketing Costs"** means:
- (i) in the case of Minerals other than Diamonds, such reasonable charge for marketing of ores and concentrates sold or of concentrates tolled as is consistent with generally accepted industry marketing practices; and
 - (ii) in the case of Diamonds, such costs and expenses of marketing rough diamonds from the [X Project] (which may involve a reasonable proportion of the costs of general marketing of Diamonds of a Participant from all its Diamond production, wherever located); and

- (d) **"Taxes 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 if paid by the Participant.

2.2 Wherever used in this Schedule "C", **"Gross Receipt"** means the aggregate of all receipts, recoveries or amounts received by or credited to a Participant in connection with its participation under the Agreement after deducting all actual sales and brokerage costs (not already included in Distribution Costs or Marketing Costs) including, without limiting the generality of the foregoing:

- (a) the actual proceeds receipts from the sale of that Participant's proportionate share of the Minerals (including concentrates derived therefrom) produced from the Mine;
- (b) all proceeds received from the sale of the [X Project] 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 [X Project], the Minerals or the Assets subsequent to the Operative Date;
- (d) all amounts received as compensation for the expropriation or forceable taking of any portion of the [X Project], the Minerals or the Assets subsequent to the Operative Date;
- (e) the fair market value, at the [X Project], of those Assets, if any, purchased for the Joint Account, that are transferred from the [X Project] for use by a Participant elsewhere subsequent to the Operative Date; and
- (f) the amount of any negative balance remaining after the reallocation of negative balances pursuant to Section 3.3 of this Schedule "C";

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 itemised in Section 3.1 of this Schedule "C".

2.3 Where any ores or concentrates are sold to, or treated in, a smelter or refinery owned or controlled by a Participant, the pricing for that sale or treatment will be established by that Participant on an arms-length basis so as to be fairly competitive with pricing, net of transportation, insurance, treatment charges and other related costs, then available on world markets for product of like quantity and quality.

3. NET PROCEEDS OF PRODUCTION

3.1 "Net Proceeds of Production" means the Gross Receipts 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 itemised order:

- (a) Marketing Costs;
- (b) Distribution Costs;

- (c) Production Costs;
- (d) Taxes and Royalties;
- (e) Interest Costs;
- (f) Construction Costs; and
- (g) Exploration Costs;

it being understood that the deductions in respect of the Costs referred to in paragraphs 3.1(a), (b), (d) and (e) of this Schedule "C" shall be based on those Costs as recorded by that Participant and the deductions in respect of the Costs referred to in paragraphs 3.1(c), (f) and (g) of this Schedule "C" shall be based on that Participant's proportionate share of those Costs as recorded by the Operator.

- 3.2 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, Costs of those classes recorded since the Operative 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.
- 3.3 If the application of credits to a pool of Costs results 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 balance then remaining in pools itemised in Section 3.1 of this Schedule "C" in the order itemised.

4. ADJUSTMENTS AND VERIFICATION

- 4.1 Payment of any Net Proceeds of Production by a Participant shall not prejudice the right of that Participant to protest the correctness of the statement supporting the payment; provided, however, that all statements presented to the non-Participant 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 12 month period that Participant gives notice to the non-Participant making claim on the non-Participant for an adjustment to the statement which will be reflected in subsequent payment of Net Proceeds of Production.
- 4.2 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.
- 4.3 The non-Participant shall be entitled upon notice to any Participant to request from any Participant that the auditor of that Participant provide the non-Participant with its opinion that any statement delivered pursuant to Section 1.1 of this Schedule "C" in respect of any quarterly period falling within the 12 month period immediately preceding the date of the non-Participant's notice has been prepared in accordance with this Agreement.
- 4.4 The time for giving the audit opinion contemplated in Section 4.3 of this Schedule "C" shall not extend the time for the taking of exception to and making claim on the non-Participant for adjustment as provided in Section 4.1 of this Schedule "C".

- 4.5 The cost of the auditor's opinion referred to in Section 4.3 of this Schedule "C" shall be solely for the account of the non-Participant requesting the auditor's opinion.

SCHEDULE “D”

FEASIBILITY STUDY DEFINITION

1. AUTHOR OF FEASIBILITY STUDY

1.1 Prepared by a Qualified Person

The Feasibility Study shall be prepared by or under the supervision of one or more Qualified Persons (as defined in National Instrument 43-101 (“**NI 43-101**”) of the Canadian Securities Administrators).

1.2 Execution of Feasibility Study

The Feasibility Study shall be dated, signed and, if the Qualified Person has a seal, sealed, by the Qualified Person who prepared it or supervised its preparation, or if such an individual is an employee, officer, director or associate of a person or company the principal business of which is the provision of engineering or geoscientific services, by that person or company.

2. NATURE OF FEASIBILITY STUDY

2.1 Basis for Feasibility Study

A Feasibility Study must be based on sound engineering principles and mine operating criteria accepted by the Canadian mining industry for similar operating environments and in a form generally acceptable to lending institutions for the purpose of raising financing to finance construction of a mine.

2.2 Disclaimer

If the author of the Feasibility Study has relied on a report, opinion or statement of legal and other non-technical experts for information concerning legal, environmental, political and other non-technical issues and factors relevant to the Feasibility Study, the Feasibility Study shall include a disclaimer in which the author identifies the report, opinion or statement relied upon, the maker of the report, opinion or statement, the extent of reliance and the portions of the Feasibility Study to which the disclaimer applies.

3. SECTIONS AND INFORMATION

The Feasibility Study shall include, but not be limited to, the following sections and information:

3.1 Geology and Exploration

This section shall include a description of the regional and local geological setting; lithology, structure, alteration, metamorphism and mineralization of the mineral deposit(s); and the geological model which relates to the mineral deposit(s). The section should also include a description of all exploration relevant to the discovery and delineation of the deposit(s).

3.2 Resources and Reserves

This section shall include the quantity and average composition and content of the minerals and the estimated amounts of recoverable minerals which comprise the resources and reserves, as well as other resources and reserves, on or under the property, together with the total number of

drill holes, data, analyses, sampling methods, models, metallurgical tests and assumptions regarding dilution, grade cutting, losses and rates of recovery upon which such estimates are based; the resource estimation methodology including assumptions and parameters used for the estimation; and a valuation of precious and semi-precious stones if these are present. The definitions adopted under NI 43-101 and the related Companion Policy shall apply to reporting all resources and reserves.

3.3 Mining

This section shall include the proposed procedures for mining and production, including an analysis of the appropriateness of these procedures; a description of mine access, mining method, geotechnical considerations, production schedule, mining rates, mine services, equipment and mine capital and operating costs. Costs shall be organized in a fashion that clearly breaks out operating, pre-production capital and sustaining capital. Operating costs shall be broken into labour and non-labour. Non-labour costs shall be based on appropriate equipment utilizations, reasonable cycle times, reasonable consumption rates and supported by quotations from appropriate suppliers and contractors. Labour costs shall be based on reasonable manpower levels and operating costs that clearly reflect the cost of living in Cameroon. Capital and operating cost estimates shall include consideration for the impact of freight movement.

3.4 Mineral Processing

This section shall include a plan for the processing and marketing of minerals from the properties, whether such processing is to occur on the property or elsewhere. It shall include a description of all existing metallurgical test work, design criteria, a description and flowchart for proposed mineral processing procedure and tailings management, process capital and operating costs and production forecasts. It should clearly outline how the bulk/metallurgical sample was collected and should leave no questions regarding the representative nature of the sample.

A manpower estimate in the form of an organization chart and work schedules should also be included. As is outlined in the mining section of this schedule, capital and operating costs shall be based on detailed estimates and an appropriate amount of site investigation work (topographic surveys, foundations testing, permafrost studies, overburden testing).

3.5 General and Administration

This section shall include a description of the geographical boundaries of the property; a description of property access, point of hire, rotation schedule/commuting, personnel and training, site buildings and roads, power generation, water supply and sewage disposal, telecommunications, and assumed grants or subsidies (capital and operating); and results of detailed geotechnical studies to support location of facilities including buildings, airstrip, and tailings ponds.

3.6 Environmental Impact

This section shall include an analysis of the impact on the environment of mining the reserve or resource, indicating any areas of potential concern and proposals to address these; a description of the baseline environmental studies performed to date; a description of a comprehensive environmental management system for the project; preliminary hydrological studies; a description of anticipated contingency plans and the abandonment plan as well as a

detailed reclamation plan that includes, but is not limited to, the proposed methods and procedures for the progressive:

- (a) removal of all structures, equipment, and other manmade debris;
- (b) rehabilitation of the area;
- (c) replacement of overburden, as required;
- (d) grading of the area back to its natural contours; and
- (e) re-establishment of native vegetative communities.

3.7 Socio-Economic Impact

This section shall include a thorough evaluation of the socio-economic impacts on the affected communities, the region and Cameroon, including an analysis of the benefits and a description of potentially negative impacts as well as proposed solutions to these; and employment impact studies performed to date, including estimates of direct and spin-off employment.

3.8 Costs

This section shall include a detailed estimate of the expenditures required to produce the minerals and, if applicable, process them during the life of the mine including particulars of annual production, operating and maintenance expenditures, taxes (other than income taxes), royalties, capital costs and all other anticipated costs of operations; and a tabulation of all capital and operating costs listed in the other sections. It shall include working capital, sustaining capital and ongoing mine development costs, general costs and abandonment and closure costs.

3.9 Financial Analysis

This section shall include an economic analysis demonstrating the current or potential feasibility of placing a mine in production on the property, including all price assumptions and indicating under what conditions the project would be economically viable; a summary of annual revenue, operating and capital costs and undiscounted cash flow; a description of criteria and assumptions utilized in the discounted cash projections; and a life of mine production schedule. The project net present value, internal rate of return and payback shall be calculated. If possible, this section shall include an explanation of commodity pricing, consumables pricing (fuel, etc), discount rates, methods of financing and sensitivity analyses indicating the effect of variations in mineral content, cost, price, production rates and mineral recovery.

3.10 Recommendations

This section shall include the recommendations derived from the Feasibility Study. If the Feasibility Study concludes that it is not currently economically viable to produce minerals from the resource, this section shall recommend a course of action that may make it economically viable.

3.11 Other Information

Include such other information as ALFE may reasonably require, consistent with the objectives of this Agreement.

3.12 Certificates of Qualified Persons

This section shall include a certificate of each of the individuals who are Qualified Persons and who have been primarily responsible for the Feasibility Study, or a portion of the Feasibility Study, dated, signed and, if the signatory has a seal, sealed, by the signatory. The certificate shall state for each signatory the name, address and occupation of the Qualified Person; the Qualified Person's qualifications, including relevant experience, the name of all professional associations to which the Qualified Person belongs, and that the Qualified Person is a "Qualified Person" for purposes of this Project; the section or sections of the Feasibility Study for which the Qualified Person is responsible; and that the Feasibility Study has been prepared in conformity with generally accepted Canadian mining industry practice.

SCHEDULE "E"
AREA OF INTEREST DEFINITION

Any form of interest in minerals located wholly or in part within 7,500 feet (2,286 metres) from the outside boundary of the Property as situated on the date of this Agreement, acquired directly or indirectly by staking by either Gorilla or First Ferro or any affiliate, associate or related party thereof, and such interest in minerals is deemed to form a part of the Property.

AMENDMENT TO OPTION AND JOINT VENTURE AGREEMENT

THIS AGREEMENT is dated effective as of the 7th day of March, 2014.

BETWEEN:

GORILLA MINERALS CORP., a company incorporated under the laws of British Columbia, having its head office at 2000 – 1177 West Hastings Street, Vancouver, British Columbia V6E 2K3;

(“**Gorilla**” or the “**Optionor**” or the “**Operator**”)

AND:

FIRST FERRO MINING LTD., a company incorporated under the laws of British Columbia, having its head office at 2101 – 1455 Howe Street, Vancouver, British Columbia V6Z 1C2;

(“**First Ferro**” or the “**Optionee**”)

WHEREAS:

- A. The parties entered into an Option and Joint Venture Agreement on January 7, 2014 (the “**Option Agreement**”).

NOW THEREFORE the parties agree as follows:

1. AMENDMENT TO THE OPTION PAYMENTS

Section 2.1 of the Option Agreement will be replaced in its entirety with the following:

- (a) Gorilla hereby irrevocably grants to First Ferro the sole and exclusive right to earn a 40% Interest in the Property (the “**Option**”) by making the following payments:
- i) \$18,000 payable as follows:
 - A. \$7,500 (the “**Property Deposit**”) on execution of the Arrangement Agreement, and
 - B. the \$10,500 balance (the “**Property Balance**”) less the cost of the Property Report, within 5 days of the CSE Listing Date;
 - ii) \$20,000 payable by July 31, 2014 at the option of First Ferro;
 - iii) \$80,000 payable by September 30, 2014 at the option of First Ferro;
 - iv) \$100,000 payable by December 31, 2014 at the option of First Ferro;
 - v) \$100,000 payable by June 30, 2015 at the option of First Ferro; and
 - vi) \$100,000 payable by December 31, 2015 at the option of First Ferro.
- (each an “**Option Payment**” and collectively the “**Option Payments**”)

2. AMENDMENT TO THE TERMINATION OF OPTION PROVISION

Section 2.4(a) of the Option Agreement will be replaced in its entirety with the following:

- (a) Subject to the obligations of the parties that expressly survive the termination of this Agreement, the Option and this Agreement shall automatically terminate:
 - (i) if any of the payments referred to in Sections 2.1(a)(iii), 2.1(a)(iv), 2.1(a)(v) or 2.1(a)(vi) of the Option Agreement have not been made by First Ferro on or within 3 days of the date on which such payment is required to be made; or
 - (ii) upon the mutual consent of the parties; or
 - (iii) upon 30 days written notice from First Ferro to Gorilla terminating the Option,

Provided that for greater certainty, and without limitation, Sections 2.4(c), 31.2, and 32.3 shall survive the termination of this Agreement.

The remainder of the Option Agreement shall remain in full force and effect.

3. FURTHER ASSURANCES

The Parties agree to execute all such further or other assurances and documents and to do or cause to be done all acts or things necessary to implement and carry into effect the provisions and intent of this Agreement.

4. SUCCESSORS AND ASSIGNMENT

This Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns. This Agreement may not be assigned by any Party without the prior written consent of the other Party.

5. SEVERABILITY

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

6. GOVERNING LAW

This Agreement shall be exclusively governed by and interpreted in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein. Each Party hereby irrevocably attorns to the jurisdiction of the courts of the Province of British Columbia in respect of all matters arising under or in relation to this Agreement.

7. PRIOR AGREEMENTS

This Agreement and the Option Agreement set forth the entire agreement, and supersede and replace any and all prior agreements, communications and discussions between the Parties with respect to the Mineral Claims, whether verbal or written, which prior agreements shall be deemed to be null and void upon the execution hereof. Amendments to this Agreement must be carried out in accordance with Section 27.2 of the Option Agreement.

8. COUNTERPARTS

This Agreement may be executed in counterparts and delivered by electronic transmission, each of which shall conclusively be deemed to be an original and all of which collectively shall constitute one and the same agreement.

IN WITNESS WHEREOF the Parties have executed and delivered this Agreement as of the day first written above.

GORILLA MINERALS LTD.

FIRST FERRO MINING LTD.

Per:

Per:

"Scott Sheldon"
Authorized Signatory

"Matthew Genovese"
Authorized Signatory