

MINING CLAIM ASSIGNMENT AGREEMENT

THIS AGREEMENT made as of the ____ day of April 2013 (the "Effective Date").

BETWEEN:

HUDSON RIVER MINERALS LTD., a corporation
governed by the laws of Canada,

(hereinafter referred to as the "Assignor")

OF THE FIRST PART

- and -

ZARA RESOURCES INC., a corporation governed by the
laws of the Province of Ontario,

(hereinafter referred to as the "Assignee")

OF THE SECOND PART

WHEREAS the Assignor is a party to a Mineral Exploration License Agreement dated November 1, 2011 between the Assignor and 3011650 Nova Scotia Ltd ("Licensor"), providing the Assignor with the right to acquire certain interests in 8 mining claims located in the Cowie Township (the "Property"), a copy of which is annexed hereto as Schedule "A" (the "License Agreement");

AND WHEREAS the Assignor wishes to assign to the Assignee all of its rights in, and obligations under the License Agreement and the Assignee wishes to acquire all of the Assignor's rights in and obligations under the License Agreement, on the terms set out herein;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the mutual covenants contained herein, the sum of \$1.00 now paid by each of the parties to the other and other good and valuable consideration (the receipt and sufficiency of which is being hereby acknowledged), the parties hereto agree as follows:

ARTICLE 1 ASSIGNMENT OF LICENSE AGREEMENT

- 1.1 Subject to and in accordance with the terms and conditions set out herein, the Assignor covenants and agrees to sell, assign and transfer all of its right, title and interest in and to the License Agreement to the Assignee free and clear of any encumbrance, lien,

charge, mortgage, security interest, adverse claim, option or right (in each case an "**Encumbrance**") and the Assignee covenants and agrees to acquire the Assignor's right, title and interest in and to the License Agreement from the Assignor for the consideration set out in Section 1.2 below.

- 1.2 The consideration for the assignment of the License Agreement shall be satisfied, at the Time of Closing (as hereinafter defined), by the Assignee paying to the Assignor the amount of \$571,578, to be satisfied by the issuance to the Assignor of 5,715,780 common shares of the Assignee (the "**Zara Common Shares**") at an attributed issue price of \$0.10 per Zara Common Share and registered in the name of the Assignor.
- 1.3 At the Time of Closing, the Assignee shall pay to the Licensor, in addition to the consideration set out in Section 1.2 of this Agreement, 114,316 Zara Common Shares at an attributed issue price of \$0.10 per Zara Common Share, such amount to be paid in full satisfaction of assignment fee required to be paid to the Licensor pursuant to Section 9(f) of the License Agreement.
- 1.4 For the purposes of this Agreement, the "**Time of Closing**" means 10:00 a.m. (Toronto time) on the Closing Date or such other time as may be mutually acceptable to the parties hereto and "**Closing Date**" means the date as first written above or such earlier or later date as may be mutually acceptable to the parties hereto.
- 1.5 The issuance by the Assignee to the Assignor of the Zara Common Shares will be issued at an agreed upon attributed value of \$0.10 per Zara Common Share and will be subject to receipt of the approval of applicable regulatory authorities, which approval the Assignee will, forthwith following the execution hereof by the Assignor, use its commercially reasonable efforts to obtain on or before the Closing Date, and are subject to compliance with all applicable securities laws, failing which approval or compliance, this Agreement shall terminate and be of no further force or effect.
- 1.6 The Assignor acknowledges that the Zara Common Shares to be issued by the Assignee to the Assignor will be subject to statutory resale restrictions not to exceed four (4) months and a day from the date of issuance in accordance with applicable securities laws and the certificate(s) representing the Zara Common Shares shall bear appropriate legends to that effect, but otherwise the Zara Common Shares will be freely trading and listed for trading on the CNSX and the Assignee shall arrange for delivery to the Assignor on the Effective Date a securities opinion from its solicitors in respect of the issuance of the Zara Common Shares to the Assignor in form and substance acceptable to the Assignor and its counsel, acting reasonably and in good faith (the "**Zara Opinion**"), subject however to Section 1.7 hereof such that the certificate(s) shall also bear an appropriate legend restricting the shares from trading for a period of up to 18 months so long as the shares are not distributed to shareholders of the Assignor on a pro rata basis.
- 1.7 The Assignor hereby agrees that it will distribute the Zara Common Shares to its shareholders on a pro rata basis (the "**Distribution**") within 18 months of closing or the Zara Common Shares will be cancelled. Notwithstanding the foregoing, if the Distribution is not effected within 18 months, the Zara Common Shares will not be

cancelled if the failure to effect the Distribution is a result of (a) the Distribution not being able to be made in a manner that is exempt from the prospectus requirements under applicable law; or (b) the Distribution would be contrary to applicable law. Save and except for the Distribution, the Assignor will be restricted from selling, transferring or otherwise disposing of the Zara Common Shares for a period of 18 months following the Closing Date. If the Assignor completes the Distribution, the Zara Common Shares shall, subject to any statutory hold period, be freely tradeable in the hands of the Assignor's shareholders immediately upon completion of the Distribution. The Zara Common Shares shall bear the following legend restricting the shares from trading for a period of up to 18 months so long as the shares are not distributed to shareholders of the Assignor on a pro rata basis, and such legend shall be removed to effect the Distribution and no hold period shall apply to the Zara Common Shares after the Distribution unless otherwise required by applicable securities legislation "THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS ON SALE OR OTHER TRANSFER FOR A PERIOD OF 18 MONTHS FROM THE DATE OF ISSUANCE PURSUANT TO THE TERMS SET FORTH IN AN AGREEMENT BETWEEN THE COMPANY AND THE REGISTERED HOLDER A COPY OF WHICH IS ON FILE AT THE PRINCIPAL OFFICE OF THE COMPANY. ANY TRANSFER OF ANY SHARES IS VOID WITHOUT THE PRIOR EXPRESS WRITTEN CONSENT OF THE COMPANY. NOTWITHSTANDING THE FOREGOING THE HOLDER MAY DISTRIBUTE THE SHARES EVIDENCED BY THIS CERTIFICATE TO ITS SHAREHOLDERS ON A PRO RATA BASIS AND UPON SUCH DISTRIBUTION THIS LEGEND SHALL BE REMOVED AND NO HOLD PERIOD SHALL APPLY TO THE SHARES EVIDENCED BY THIS CERTIFICATE, UNLESS OTHERWISE REQUIRED BY APPLICABLE SECURITIES LEGISLATION".

- 1.8 The restrictions of transfer set out in Section 1.7 hereof shall not prevent or restrict the Assignor from tendering or disposing of any or all of the Zara Common Shares in connection with a take-over bid, merger, amalgamation, statutory arrangement, business combination or other similar transaction involving the Zara Common Shares or assets of the Assignee.
- 1.9 The Assignor, as a condition to the closing of the transactions contemplated hereby, agrees to enter into a voting trust agreement with Danny Wettreich, Chief Executive Officer of Assignee, in substantially the form annexed hereto as Schedule "B" (the "**Voting Trust Agreement**").

ARTICLE 2 REPRESENTATIONS AND WARRANTIES OF THE ASSIGNOR

- 2.1 The Assignor hereby represents and warrants to the Assignee as follows and acknowledges that the Assignee is relying upon such representations and warranties in connection with the entering into of this Agreement and the consummation of the transactions contemplated hereby:
 - (a) the Assignor is a corporation validly subsisting under the laws Canada;

- (b) the Assignor has all necessary right, power and authority and has obtained all necessary authorizations to enter into, execute and deliver this Agreement and to perform its obligations hereunder
- (c) the Property set out in the License Agreement is accurately described in Schedule "A" hereto in all material respects;
- (d) the Assignor is the sole legal and beneficial owner of an undivided 100% interest in all rights that are the subject of the License Agreement, free and clear of any and all liens and encumbrances;
- (e) the Assignor is not in material default, breach or non-performance of any of the covenants, terms or conditions of the License Agreement;
- (f) the Assignor has the right to assign the License Agreement accordance with the terms of this Agreement and subject to the conditions of assignment set out in the License Agreement;
- (g) to the best of the Assignor's knowledge and belief, all mineral claims included in the License Agreement have been properly and legally staked, recorded and tagged pursuant to applicable laws and all mining claims comprising the Property are in good standing and no event, condition or occurrence exists that, after notice or lapse of time or both, would constitute a default under such mining claims and all required assessment work, reports, fees and payments with respect to the Property have been filed or made and are current;
- (h) the Assignor is not aware of any adverse claim or challenge that exists against or to the ownership of or title to any of the mineral claims and other interests subject to the License Agreement and, to the best of the Assignor's knowledge and belief, there are no outstanding agreements or options to acquire or purchase any of the lands or mineral claims which are the subject of the License Agreement or any portion thereof or any production therefrom, and no person has any royalty or other interest whatsoever in the Property or in production therefrom, except as expressly set out in the License Agreement;
- (i) the Assignor is not a non-resident of Canada under the Income Tax Act (Canada);
- (j) the Property is not the whole or substantially the whole of the assets or undertaking of the Assignor;
- (k) the entry into, execution and delivery of this Agreement and all other agreements and documents required to be delivered by the Assignor hereunder, the performance by the Assignor of its obligations hereunder and the consummation of the transactions contemplated hereby:
 - (i) have been and will be duly authorized by all necessary action, corporate or otherwise required on behalf of the Assignor; and

- (ii) do not or will not conflict with or constitute a breach of or a default (a) under or create any encumbrance in respect of the lands which are the subject of the License Agreement (or would not with the passage of time or the giving of notice, or both, conflict with or constitute a breach of or a default under or create any encumbrance in respect of the lands which are the subject of the License Agreement); (b) under any of the terms or provisions of the constating documents, by-laws or resolutions of the Assignor; (c) under any contract or other obligation to which the Assignor is a party or by which the Assignor or any of its assets is bound; or (d) under any laws or regulations applicable to the Assignor or any of its assets;
- (l) this Agreement has been duly executed and delivered by the Assignor and each of this Agreement and the Voting Trust Agreement constitutes, or on delivery will constitute, a legal, valid and binding obligation of the Assignor enforceable against it in accordance with its terms, subject however to limitations with respect to enforcement imposed by law in connection with bankruptcy, insolvency and creditors' rights generally and to general principles of equity, including the availability of equitable remedies such as specific performance and injunctive relief which are in the discretion of the court from which they are sought;
- (m) the Assignor is not subject to, or a party to, any charter or by-law restriction, encumbrance, contractual or other right or obligation, law, rule, ordinance, regulation, or any other restriction of any kind or character that would prevent the consummation by the Assignor of the transactions contemplated by this Agreement or compliance by the Assignor with the terms, conditions and provisions hereof;
- (n) there are no suits, actions or other legal proceedings of any sort or claims or demands pending or threatened against the Assignor that would restrict or otherwise prevent the Assignor, in any manner, from effectively and legally assigning the License Agreement to the Assignee free and clear of encumbrances.

ARTICLE 3
REPRESENTATIONS AND WARRANTIES OF THE ASSIGNEE

- 3.1 The Assignee hereby represents and warrants to the Assignor as follows and acknowledges that the Assignor is relying upon such representations and warranties in connection with the entering into of this Agreement and the consummation of the transactions contemplated hereby:
- (a) the Assignee is a corporation validly subsisting under the laws of the Province of Ontario;
 - (b) the Assignee has all necessary right, power and authority and has obtained all necessary authorizations to enter into, execute and deliver this Agreement and to perform its obligations hereunder;

- (c) the entry into, execution and delivery of this Agreement and all other agreements and documents required to be delivered by the Assignee hereunder, the performance by the Assignee of its obligations hereunder and the consummation of the transactions contemplated hereby:
 - (i) have been and will be duly authorized by all necessary action, corporate or otherwise required, on the part of the Assignee; and
 - (ii) do not or will not conflict with or constitute a breach of or a default under or create any Encumbrance under (or would not with the passage of time or the giving of notice, or both, conflict with or constitute a breach of or a default under or create any Encumbrance under) any of the terms or provisions of the constating documents, by-laws or resolutions of the Assignee or of any contractual or other right or obligation to which the Assignee is a party or by which the Assignee or any of its assets are bound or of any laws or regulations applicable to the Assignee or any of its assets;
- (d) this Agreement has been duly executed and delivered by the Assignee and each of this Agreement and the Voting Trust Agreement constitutes a legal, valid and binding obligation of the Assignee enforceable against it in accordance with its terms, subject however to limitations with respect to enforcement imposed by law in connection with bankruptcy, insolvency and creditors' rights generally and to general principles of equity, including the availability of equitable remedies such as specific performance and injunctive relief which are in the discretion of the court from which they are sought;
- (e) the Assignee is not subject to, or a party to, any charter or by-law restriction, Encumbrance, contractual or other right or obligation, law, rule, ordinance, regulation, or any other restriction of any kind or character which would prevent the consummation of the transactions contemplated by this Agreement or compliance by the Assignee with the terms, conditions and provisions hereof;
- (f) there are no consents, approvals, authorizations, orders, registrations or filings that should be obtained or made by the Assignee in order to complete the transactions contemplated by this Agreement (including without limitation any consents, approvals, authorizations, orders, registrations of or filings with any securities commission or stock exchange), that will not have been obtained by the Assignee on or before the Time of Closing;
- (g) there are no suits, actions or other legal proceedings of any sort or claims or demands pending or threatened against the Assignee or involving the Assignee or which questions or challenges the validity of this Agreement, or any action taken or to be taken by the Assignee pursuant to this Agreement or any other agreement or instrument to be executed and delivered by the Assignee in connection with the transactions contemplated hereby and the Assignee does not know or have any

reason to know of any valid basis for any such legal, administrative, arbitration or other proceeding, claim, action of any nature or investigation;

- (h) the Assignee acknowledges having reviewed and being satisfied in all respects with its due diligence investigations with respect to the Property (including title thereto) and the Assignor;
- (i) the Assignee is entering into this Agreement and is acquiring the Property based on its own investigations and due diligence carried out by it up to the Closing Date and not based on any representations or warranties of the Assignor save and except as otherwise expressly set out herein;
- (j) all of the issued and outstanding common shares of the Assignee are currently listed for trading on the CNSX;
- (k) when issued at the Time of Closing, the Zara Common Shares payable to the Assignor in accordance with Section 1.2 of this Agreement shall be (i) issued as fully paid and non-assessable shares of the Assignee; (ii) issued on a basis that is exempt from the prospectus requirements of applicable securities laws; and (iii) listed for trading on the CNSX.
- (l) no regulatory authority (including, without limitation, the Ontario Securities Commission and CNSX) has issued any order preventing or suspending trading in the common shares or the non-voting preference shares of the Assignee; and
- (m) the Assignee is, and will be at the Time of Closing, a reporting issuer not in default under the *Securities Act* (Ontario) (the "**Securities Act**") and the applicable securities legislation of each of the other jurisdictions in which it is a reporting issuer or equivalent thereto and has made to date adequate disclosure of all material facts and material changes (as those terms are defined in the *Securities Act*) in relation to its operations in accordance with the requirements of applicable laws and regulatory authorities;

ARTICLE 4 CONDITIONS PRECEDENT

4.1 **Conditions Precedent for the Benefit of the Assignee.** The obligation of the Assignee to complete the assignment of the License Agreement in accordance with this Agreement shall be subject to the satisfaction or waiver by the Assignee of, at or before the Time of Closing, each of the following conditions precedent, each of which is separate, is provided for the exclusive benefit of the Assignee and may be waived by the Assignee at any time at its sole, absolute and unfettered discretion:

- (a) all of the representations and warranties of the Assignor contained herein or in any certificate or other document delivered or given pursuant to this Agreement shall be true and correct in all material respects as at the Time of Closing and with the same effect as if made at and as of the Time of Closing, and the Assignee shall have received a certificate from the President of the Assignor, on behalf of the

Assignor and not in his personal capacity, confirming the truth and correctness of such representations and warranties, provided that the receipt thereof and the closing of the transactions contemplated herein shall not constitute a waiver of the representations and warranties of the Assignor that are contained in this Agreement;

- (b) the Assignor shall have fulfilled and/or complied with all terms, conditions, covenants and agreements herein contained to be performed or caused to be performed by it to the extent the same are to be performed at or prior to the Time of Closing and the Assignor shall have delivered a certificate executed by its President, on behalf of the Assignor and not in his personal capacity, to that effect, provided that the receipt thereof and the closing of the transactions contemplated herein shall not constitute a waiver of the covenants and agreements of the Assignor that are contained in this Agreement;
- (c) all documentation relating to the due authorization and completion of the assignment of the License Agreement and all actions and proceedings taken on or prior to the Time of Closing in connection with the performance by the Assignor of its obligations under this Agreement shall be satisfactory to the Assignee, acting reasonably, and the Assignee shall have received copies of all such documentation or other evidence as it may reasonably request in order to establish the consummation of the transactions contemplated hereby and the taking of all corporate proceedings in connection therewith in compliance with these conditions, in form (as to certification and otherwise) and substance satisfactory to the Assignee, acting reasonably;
- (d) all consents, approvals, authorizations, orders, registrations, licences, permits and certificates of any persons (including, without limitation, CNSX) and all filings and notifications to any persons required in connection with the completion of the transactions contemplated by this Agreement, the execution and delivery of this Agreement or the performance of any of the terms and conditions hereof shall have been obtained on or before the Time of Closing;
- (e) the Assignor and/or Licensor shall have filed all the assessments outstanding on the Property, which assessments will be confirmed by the Ministry of Northern Development and Mines ("MNDM") as accepted, and the MNDM online database indicates that all the claims consisting of the Property being acquired by the Assignee have been maintained;
- (f) the Assignor has entered into the Voting Trust Agreement with Danny Weittreich; and
- (g) all corporate authorizations required to have been obtained by the Assignor for the execution of this Agreement and for the performance of its obligations hereunder shall have been obtained on or before the Closing Date

- (h) The Licensor has, in accordance with Paragraph 9 of the License Agreement, provided its consent to the assignment of the License Agreement by the Assignor to the Assignee.
- 4.2 If any of the conditions contained in Section 4.1 shall not be performed or fulfilled at or prior to the Time of Closing and to the satisfaction of the Assignee, the Assignee may, by written notice to the Assignor, terminate this Agreement and the obligations of the Assignee under this Agreement. Any such condition may be waived in whole or in part by the Assignee without prejudice to any claims that the Assignee may have for breach of covenant, representation or warranty.
- 4.3 **Conditions Precedent for the Benefit of the Assignor.** The obligations of the Assignor to complete the assignment of the License Agreement hereunder shall be subject to the satisfaction or waiver of, at or before the Time of Closing, each of the following conditions precedent each of which is separate, is provided for the exclusive benefit of the Assignor and may be waived by the Assignor at any time at its sole, absolute and unfettered discretion:
- (a) all of the representations and warranties of the Assignee contained herein or in any certificate or other document delivered or given pursuant to this Agreement shall be true and correct in all material respects as at the Time of Closing and with the same effect as if made at and as of the Time of Closing, and the Assignor shall have received a certificate from the President of the Assignee, on behalf of the Assignee and not in his personal capacity, confirming, to the best of his knowledge, information and belief, the truth and correctness in all material respects of such representations and warranties, provided that the receipt thereof and the closing of the transactions contemplated herein shall not constitute a waiver of the representations and warranties of the Assignee which are contained in this Agreement;
 - (b) the Assignee shall have fulfilled and/or complied with all terms, conditions, covenants and agreements herein contained to be performed or caused to be performed by it to the extent the same are to be performed at or prior to the Time of Closing and the Assignee shall have delivered a certificate executed by its President, on behalf of the Assignee and not in his personal capacity, to that effect, provided that the receipt thereof and the closing of the transactions contemplated herein shall not constitute a waiver of the covenants and agreements of the Assignee which are contained in this Agreement;
 - (c) all documentation relating to the due authorization and completion of the sale and purchase hereunder of the Property and all actions and proceedings taken on or prior to the Time of Closing in connection with the performance by the Assignee of its obligations under this Agreement shall be satisfactory to the Assignor, acting reasonably, and the Assignor shall have received copies of all such documentation or other evidence as it may reasonably request in order to establish the consummation of the transactions contemplated hereby and the taking of all corporate proceedings in connection therewith in compliance with these

conditions, in form (as to certification and otherwise) and substance satisfactory to the Assignor, acting reasonably;

- (d) all consents, approvals, authorizations, orders, registrations, licences, permits and certificates of any persons and all filings and notifications to any persons required in connection with the completion of the transactions contemplated by this Agreement (including, without limitation, approval from the TSX Venture Exchange), the execution and delivery of this Agreement or the performance of any of the terms and conditions hereof shall have been obtained on or before the Time of Closing;
- (e) the Assignor shall have received a favourable legal opinion from the Assignee's counsel in form and substance satisfactory to the Assignor and its counsel, acting reasonably;
- (f) if necessary, the Assignor shall have received the approval of its shareholders to complete the transactions contemplated by this Agreement;
- (g) the Licensor shall, in accordance with Paragraph 9 of the License Agreement, have provided its consent to the Assignment of the License Agreement by the Assignor to the Assignee;
- (h) the Assignor shall have received a full and final release from the Licensor releasing the Assignor of all liability with respect to any and all obligations, claims, demands, actions and liabilities in connection with the License Agreement, such release to be in form and substance satisfactory to the Assignor and its counsel, acting reasonably;
- (i) No material adverse change in the business, financial condition or results of operation of the Assignee has occurred on a consolidated basis which has had or, with the passage of time, could have an adverse effect on the trading price of the Zara Common Shares; and
- (j) the Assignee shall have delivered to the Assignor share certificates registered in the name of the Assignor representing the Zara Common Shares;

4.4 If any of the conditions contained in Section 4.3 shall not be performed or fulfilled at or prior to the Time of Closing and to the satisfaction of the Assignor, the Assignor may, by notice to the Assignee, terminate this Agreement and the obligations of the Assignor under this Agreement. Any such condition may be waived in whole or in part by the Assignor without prejudice to any claims that the Assignor may have for breach of covenant, representation or warranty.

ARTICLE 5
MISCELLANEOUS

- 5.1 **Closing.** The closing of the assignment of the License Agreement as contemplated hereby shall take place at the Time of Closing or at such other time as the parties hereto may mutually agree upon.
- 5.2 **Survival.** All representations and warranties and covenants made herein or in any agreement, certificate or other document delivered or given pursuant to this Agreement (other than those which are expressly waived in writing as part of the closing herein) shall survive the execution and delivery of this Agreement and the completion of the transactions contemplated by this Agreement for a period of two years thereafter and, notwithstanding such completion or any investigation made by or on behalf of the party to whom or in whose favour such representations and warranties, covenants and provisions were made, shall continue in full force and effect for the respective benefit of the Assignee, and the Assignor, as the case may be, following the Closing Date and shall be binding on the successors and assigns of each of the parties.
- 5.3 **Publicity.** Except as is required by law or by any stock exchange, neither of the parties hereto shall issue any press release or make any other public statement or announcement relating to or connected with or arising out of this Agreement or the matters contained herein without obtaining the prior written approval of the other party hereto, which approval shall not be unreasonably withheld or unduly delayed. The parties agree to co-operate and consult on a timely basis for purposes of issuing a joint press release announcing the execution of this Agreement and, if applicable, upon successful the closing of the transactions contemplated hereby.
- 5.4 **Further Assurances.** To the extent reasonably practicable in the circumstances or permitted by law, each of the parties hereto upon the request of the other party shall do, execute, acknowledge and deliver or cause to be done, executed, acknowledged or delivered all such further acts, deeds, documents, assignments, transfers, conveyances, and assurances as may be reasonably necessary or desirable to effect complete consummation of the transactions contemplated by this Agreement.
- 5.5 **Successors in Interest.** This Agreement and the provisions hereof shall enure to the benefit of and be binding upon the parties hereto and (as applicable) their respective heirs, executors, legal personal representatives, successors and permitted assigns.
- 5.6 **Notices.** Any notice, document or other communication required or permitted by this Agreement to be given by a party hereto shall be in writing and is sufficiently given if delivered personally or if transmitted by facsimile or e-mail to such party addressed as follows:

(a) in the case of the Assignor at:

Hudson River Minerals Ltd.
75 Portland Street, Unit 1106
Toronto, Ontario M5V 2M9

Attention: President
e-mail: sbalch@hudsonminerals.com

(b) in the case of the Assignee at:

Zara Resources Inc.
208 Queens Quay West, Suite 2506
Toronto, Ontario M5J 2Y5

Attention: President
e-mail: dw@winstonresourcesinc.com

Any notice or other communication so given is deemed conclusively to have been given and received on the day of delivery when so personally delivered, on the day following the sending thereof by overnight courier, and on the same date when faxed unless the notice is sent after 5:00 p.m. (Toronto time) or on a day which is not a business day, in which case the fax will be deemed to have been given and received on the next business day after transmission. Either party may change any particulars of its name, address, contact individual or fax number for notice by notice to the other party in the manner set out in this Section 5.6. Neither party shall prevent, hinder or delay or attempt to prevent, hinder or delay the service on that party of a notice or other communication relating to this Agreement.


- 5.7 **Expenses.** All costs and expenses incurred in connection with this Agreement and the transactions contemplated hereby shall be paid by the party incurring such costs and expenses.
- 5.8 **Broker's or Finder's Fees.** Each of the parties hereto represents and warrants to the other party that it has not done, and is not aware of, any act which might give rise to a claim for any finder's or brokerage fee in connection with this Agreement or any of the transactions contemplated herein.
- 5.9 **Assignment; Amendments.** This Agreement shall not be assigned by a party hereto without the prior written consent of the other party. Any assignment of this Agreement or any obligation under this Agreement shall not release a party hereto from its full obligations hereunder without the prior written consent of the other party. No supplement, modification, waiver or termination of this Agreement shall be binding unless executed in writing by the party to be bound thereby.
- 5.10 **Execution in Counterparts; Electronic Delivery.** This Agreement may be executed by the parties hereto in separate counterparts or duplicates each of which when so executed and delivered shall be an original, but all such counterparts or duplicates shall together constitute one and the same instrument. To evidence the fact that it has

executed this Agreement, a party may send a copy of its executed counterpart to the other party by facsimile transmission or by electronic mail in Portable Document File (PDF) format. That party shall be deemed to have executed this Agreement on the date it sent such facsimile or electronic transmission to the other. In such event, such party shall forthwith deliver to the other party an original of the counterpart of this Agreement duly executed by such party.

- 5.11 **Entire Agreement.** This Agreement together with any agreements or other documents to be delivered pursuant hereto sets forth the entire agreement among the parties hereto pertaining to the specific subject matter hereof and replaces and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the parties, and there are no warranties, representations or other agreements, whether oral or written, express or implied, statutory or otherwise, between the parties hereto in connection with the subject matter hereof except as specifically set forth herein.
- 5.12 **Waiver.** No delay or failure of any party in exercising any right or remedy hereunder and no partial exercise of any such right or remedy shall be deemed to constitute a waiver of such right or remedy or any other rights or remedies of such party hereunder. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions (whether or not similar) nor shall such waiver constitute a continuing waiver unless otherwise expressly provided. Any consent by a party to or any waiver by a party of any breach of any provision of this Agreement shall not constitute consent to or waiver of any subsequent, further or other breach of the provisions of this Agreement.
- 5.13 **Severability.** If any of the provisions of this Agreement should be invalid, illegal or unenforceable in any respect, the validity or legality or enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.
- 5.14 **Time; Gender and Number.** Time shall be of the essence hereof. Words used in this Agreement importing gender shall include the masculine, feminine and neuter genders and words used herein importing the singular number only shall include the plural and vice versa.
- 5.15 **Currency.** All references in this Agreement to dollars, unless otherwise specifically indicated, are expressed in Canadian currency.
- 5.16 **Governing Law.** This Agreement shall be construed, interpreted and the rights of the parties hereto determined in accordance with the laws, other than the conflicts of laws rules, of the province of Ontario and shall be treated in all respects as an Ontario contract. The parties hereto hereby irrevocably attorn to the jurisdiction of the courts of Ontario.
- 5.17 **Business Day.** All references in this Agreement to "business day" or "Business Day" means any day which is not a Saturday or Sunday on which chartered Canadian banks in the City of Toronto are open for business.

IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the Effective Date first above written.

HUDSON RIVER MINERALS LTD

Per: 
Name: Stephen Balch
Title: President & Chief Executive Officer

I have authority to bind the Corporation.

ZARA RESOURCES INC.

Per: _____
Name: Danny Wettreich
Title: Chairman & Chief Executive Officer

I have authority to bind the Corporation.

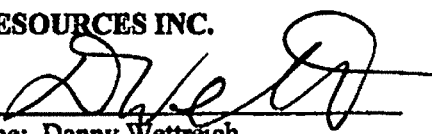
IN WITNESS WHEREOF the parties hereto have executed this Agreement as of the Effective Date first above written.

HUDSON RIVER MINERALS LTD

Per: _____
Name: Stephen Balch
Title: President & Chief Executive Officer

I have authority to bind the Corporation.

ZARA RESOURCES INC.

Per:  _____
Name: Danny Wettreich
Title: Chairman & Chief Executive Officer

I have authority to bind the Corporation.

SCHEDULE "A"

(License Agreement attached)

SCHEDULE A

MINERAL EXPLORATION LICENSE AGREEMENT

BETWEEN

3011650 NOVA SCOTIA LIMITED

- and -

Hudson River Minerals Ltd.

DATED AS OF November 1, 2011

THIS LICENSE made as of the First day of November

(hereinafter referred to as the "license date").

B E T W E E N:

**3011650 NOVA SCOTIA LIMITED, a Nova Scotia Corporation
trading as "Michipicoten Forest Resources"**

(hereinafter called the "Licensor")

OF THE FIRST PART

- and -

Hudson River Minerals Ltd

(hereinafter called the "Licensee")

OF THE SECOND PART

WHEREAS the Licensor represents and warrants to the Licensee as follows and acknowledges that the Licensee is relying on such representations and warranties made to it by the Licensor in entering into this License:

- (a) that it has been incorporated pursuant to the laws of the Province of Nova Scotia and is a validly subsisting corporation thereunder;
- (b) that the Licensor has full power and authority, has the capacity and is duly qualified to deal in and with the Licensed Area and enter into and carry out its obligations under this License and the Lease;
- (c) that, save and except for the qualifications referred to herein, and such other documents as may be registered on title, it is the absolute and registered owner of, and has the exclusive mining and surface rights to all of those lands hereinafter defined and referred to as the "Licensed Area", within the District of Algoma, Ontario, Canada, with good and marketable title;
- (d) that the Licensed Area is in good standing with respect to all filings, fees, taxes, assessments, work commitments and other matters;

(e) that there are no agreements outstanding with respect to the mining rights associated with the Licensed Area or any part thereof, save and except for (i) a Mining Rights Option Agreement dated November 5, 1997 in favour of Algoma Central Corporation;

(f) that there is no adverse claim or challenge pending against the Licensor's ownership of the Licensed Area nor is there any basis therefore or threat thereof; and

(g) that it is unaware of any fact or circumstance which has not been disclosed in the License or the Lease and which should be disclosed to the Licensee in order to prevent the Licensor's representations and warranties contained herein from being incomplete or misleading.

AND WHEREAS the Licensee represents and warrants to the Licensor as follows and acknowledges that the Licensor is relying on such representations and warranties made to it by the Licensee in entering into this License:

(a) that it has the capacity and is duly qualified to hold an interest in the Licensed Area and to carry on mineral exploration and development work thereon as contemplated herein;

(b) that it has full power and authority to enter into and carry out its obligations under this License; and

(c) that it has the resources in personnel and finances to carry out its duties and obligations hereunder.

NOW THEREFORE THIS LICENSE AGREEMENT WITNESSETH that in consideration of the premises and the rents, covenants and agreements hereinafter set forth, the Licensor and the Licensee do hereby covenant and agree with each other as follows:

1. DEFINITIONS

In this License the following terms shall have the following meanings:

(a) "**designated areas**" means such part or parts of the Licensed Area which may be designated from time to time during the currency hereof for consideration of retention under a Lease;

(b) "**exploration activities**" means all reasonable work, operations or activities normally associated with proper prospecting, exploration, development or other mining work such as, but not limited to, geological, geophysical and geochemical surveys and studies, sampling, surface stripping, trenching, drilling, shaft sinking, raising, cross-cutting and drifting, ramp exploration, dewatering underground workings, beneficiation studies, assays, metallurgical testing, improvements to access roads, bulk sampling any or all of which are completed to determine the mineral potential on or with respect to the Licensed Area as a direct result of the within License;

(c) **"exploration expenditures"** means all reasonable costs and expenses associated with exploration activities completed on or with respect to the Licensed Area as a direct result of the within License, including:

- (i) contract services such as diamond drilling and line cutting, professional consultants and other applicable services procured from outside sources, including commissioning and preparing feasibility studies;
- (ii) technical services in the field such as, but not limited to, laboratory analysis, geophysical, geochemical and geological interpretation, engineering, reserve studies and related computer services and data processing not provided by the Licensee;
- (iii) fees or permit charges assessed by any government agencies respecting exploration activities carried on by the Licensee;
- (iv) labour, payroll and benefits for all field employees (excluding head office and divisional managerial and administrative personnel);
- (v) all supplies, lodging and accommodation, maps, local project office supplies and equipment, field and camp equipment and local project office rent and maintenance;
- (vi) all reasonable transportation costs, including vehicle rentals and operation, air flights, expenses and freight costs related specifically to all field employees included in (iv) above;
- (vii) all reasonable communication and postage costs related to the operations hereunder;
- (viii) all reasonable costs directly associated with progressive or final closure or rehabilitation work completed in connection with Paragraph 22 hereof, subject to such work having been approved in writing in advance by the Licensor and completed prior to termination of this License;
- (ix) other miscellaneous unforeseen expenditures that may arise, subject to the approval of the Licensor acting reasonably; and
- (x) an overhead fee for the Licensee's general administrative services and expenses, calculated as 10% of the costs and expenses identified in (i) to (ix) above.

Specifically excluded from this enumeration of allowable exploration expenditures are:

- (i) capital purchases by the Licensee;
- (ii) administrative services including property and title administration, accounting, legal, tax, drafting, secretarial, insurance and handling costs;

- (iii) technical expertise and consulting by the Licensee's head office;
- (iv) head office, district, division and regional office equipment and facilities including telecopiers, xerox and computer services;
- (v) managerial and supervisory salaries, benefits and related costs;
- (vi) property acquisition costs such as payments to prospectors, finders fees, etc.; and
- (vii) license fees, taxes and royalties payable hereunder.

(d) **"grid claim"** means a parcel of land measuring one kilometre by one kilometre, containing an area of one square kilometre (equivalent to 100 hectares or approximately 247 acres), as set out in the One Thousand Metre Universal Transverse Mercator Grid ("UTM") (NAD27 with respect to this License and Schedules I and II attached hereto). For the purposes hereof, a grid claim is identified by the Northerly and Easterly UTM coordinates of the mid-point of the grid claim, followed by reference to the UTM zone in which the grid claim is located (e.g. 5337500 N, 657500 E, Z16);

(e) **"Lease"** means a lease in the form annexed as Schedule III hereto;

(f) **"Leased Property"** means any of the designated areas of the Licensed Area which have been retained under a Lease;

(g) **"License"** means the within license and all amendments and modifications and instruments supplemental thereto from time to time entered into by the Licensor and the Licensee;

(h) **"License year"** means a consecutive period of twelve (12) calendar months commencing on the license date or on any anniversary thereof during the Term hereof;

(i) **"Licensed Area"** means all land located within the grid claims listed in Schedule I annexed hereto, saving and excepting Excluded Areas defined as follows, all as shown on the plan or plans annexed hereto as Schedule II:

Excluded Areas include:

- (i) lands on which mining claims, mining rights or mineral exploration rights have been staked, reserved, licensed or leased by third parties prior to the license date;
- (ii) lands or mining rights owned by the Crown or by private interests other than the Licensor as of the license date;
- (iii) land which is owned by the Licensor and is legally occupied by third parties that have obtained an interest in the surface rights thereto by way of agreements, licenses or leases with the Licensor;

- (iv) Leased Property in respect of which a Lease is executed and delivered by the Licensor to the Licensee during the currency hereof;

and for greater certainty with respect to (i), (ii) and (iii) above, such Excluded Areas illustrated on plans annexed hereto as Schedule II are shown as they exist as of the license date. By way of the Licensor's normal and varied business activities respecting use and disposition of the surface rights, the extent of such Excluded Areas described in (iii) above is subject to increase during the Term hereof ("New Excluded Area") without further notification by the Licensor. The Licensee shall continue to have exclusive exploration rights for any such New Excluded Area, however before proceeding with any exploration activities on the New Excluded Area, the Licensee must first obtain the written consent of the Licensor, which consent shall not be unreasonably withheld or delayed;

(j) "minerals" means all naturally occurring metallic and non-metallic minerals including, without limitation, natural gas, petroleum, coal, salt, consolidated quarry material, industrial stone, gold, silver, all rare and precious metals, diamonds, gems and other precious or semi-precious stones;

(k) "Term" means the original term of the License as provided in Paragraph 3 hereof together with the renewal term provided for therein.

2. GRANT OF LICENSE

In consideration of the rent and subject to the covenants and agreements herein contained on the part of the Licensee to be paid, performed, observed and complied with, the Licensor hereby grants unto the Licensee a license to enter upon the Licensed Area and an exclusive license to carry out such mineral exploration activities thereon and thereunder as the Licensee deems advisable including, without limitation, the right to bring upon the Licensed Area such buildings, structures, machinery and equipment as the Licensee, acting reasonably, may deem advisable to carry out such exploration activities, and to remove the same, and to remove minerals from the Licensed Area but only for the purpose of sampling, bulk sampling and making assays or tests thereon; and the Licensor also grants to the Licensee the exclusive right to have certain portions of the Licensed Area included within a Lease or Leases of the mining rights associated therewith for advanced mineral exploration, development and commercial production thereon and therefrom, subject to the conditions hereof.

3. TERM

(a) **Original Term.** The term of the within License is five (5) years commencing on the license date (hereinafter called the "original term"), subject however to termination as hereinafter provided.

(b) **Renewal Term.** The Licensee, so long as this License has not previously been terminated pursuant to the terms hereof and the Licensee is not then in material default of any of the covenants and agreements herein contained, may renew this License for a second and final term of five (5) commencing on the fifth anniversary of the license date (hereinafter called the

"renewal term"), subject to all terms, conditions and covenants contained herein and to termination as hereinafter provided. The Licensee shall advise the Licensor of its intention to exercise the renewal option by providing written notice to the Licensor at least ninety (90) days prior to the expiration of the original term.

4. LICENSE FEE

The Licensee covenants and agrees to pay to the Licensor, in lawful money of Canada, a license fee payable in advance on the license date, and annually in advance on every anniversary of the license date during the currency hereof, determined in accordance with the following:

- (a) For the first license year of the original term, a license fee in the amount of:

\$3,585 (the "base fee");

- (b) For each of the remaining four (4) license years of the original term, an annual license fee calculated in accordance with the following formula:

$\$500 \times \#GC$;

- (c) For each license year of the renewal term, an annual license fee calculated in accordance with the following formula:

$\$600 \times \#GC$;

Where #GC = the number of grid claims (or parts thereof) that constitute the Licensed Area (as set out in Schedules I and II hereto) in the license year for which the license fee is being calculated.

5. TAXES

- (a) Save and except as provided in paragraph 5(b) hereof, during the currency of this License, the Licensee will pay, when due and payable, any and all taxes, rates, dues and assessments, whatsoever, whether federal, provincial, municipal, educational or otherwise, hereafter to be charged upon the Licensed Area or upon or against the Licensor on account thereof (excluding taxes on the Licensor's income) (collectively the "taxes"), saving and excepting the base tax which the Licensor shall continue to pay throughout the Term, and for the purpose hereof "base tax" is defined as the total amount of all such taxes that were due and paid by the Licensor during the calendar year that immediately preceded the license date. The Licensor covenants that it has paid all such taxes which were due and payable prior to the license date.

- (b) Currently with the signing of this License and on or before November 1st in each year of the Term or Renewal Term thereafter the Licensee shall pay to the Licensor, in advance, all mining taxes applicable to the Licensed Area. If grid claims are added by the Licensee during the Term or any Renewal Term the mining taxes applicable thereto shall be paid forthwith to the Licensor.

Notwithstanding the provisions of paragraph 19, in the event of default of payment by the Licensee of any mining taxes, the Licensor shall have the right to immediately terminate this License on 48 hours' written notice to the Licensee and thereafter take possession of the Licensed Area. Upon default the Licensee shall forthwith comply with the rehabilitation and closure provisions contained in paragraph 19. The Licensor covenants and agrees to remit to the appropriate taxing authority all mining taxes paid hereunder at such time as they become due and payable.

6. MINIMUM EXPLORATION EXPENDITURES

The Licensee shall make minimum exploration expenditures during each license year, on or with respect to the Licensed Area, in accordance with the following:

(a) During each license year of the original term, an annual amount calculated in accordance with the following formula:

$$\$2,500 \times \#GC;$$

(b) During each license year of the renewal term, an annual amount calculated in accordance with the following formula:

$$\$3,000 \times \#GC;$$

Where #GC = the number of grid claims (or parts thereof) that constitute the Licensed Area (as set out in Schedules I and II hereto) in the license year for which the minimum exploration expenditure amount is being calculated.

(c) For the purpose of determining the performance of the Licensee in the making of the said minimum exploration expenditure for any portion of a license year (such as in paragraphs 8 to 11, 17 and 18 hereof), the annual amounts set out above shall be pro rated on a daily basis from the commencement of the license year to the (effective) date of such performance determination.

(d) If, at any time during the currency hereof, the Licensor shall deliver written notice to the Licensee (in accordance with Paragraph 18(a) hereof) that there is a deficiency in the required minimum exploration expenditure (having first credited any excess exploration expenditures accumulated to date), the Licensee shall have the option, to be exercised on or before the thirtieth (30th) day following the date of said notice, of paying to the Licensor an amount equal to one-half (1/2) of such deficiency in order to preserve the Licensee's rights under this License. Upon receipt of such payment, the said deficiency shall be deemed to have been corrected. Failure by the Licensee to correct any such deficiency within the aforesaid period will leave the Licensee in default and subject to the provisions of Paragraph 18 hereof.

7. ROYALTY

For all minerals produced, saved and marketed from the Licensed Area as a result of exploration activities such as, but not limited to, assaying, testing, sampling or other pre-production or development activities, there shall be a three (3%) percent royalty ("Royalty" as

defined and calculated in the Lease annexed hereto as Schedule III) paid to the Licensor by the Licensee. Said royalty shall be due and payable forthwith quarter-annually.

8. RELEASE OF LICENSED AREA

It is understood and agreed between the parties hereto that the Licensee has the option, to be exercised and effective as of the last day only of each license year, of releasing portions of the Licensed Area from this License, provided:

(a) The Licensee is not in material default, breach or non-performance of any of the covenants, terms or conditions of this License;

(b) The released lands shall consist only of entire grid claims or combinations thereof;

(c) The Licensee shall deliver written notification to the Licensor at least thirty (30) days prior to the last day of a license year confirming its intention to exercise the said option, and shall simultaneously provide maps and coordinates identifying the grid claims to be released;

(d) The Licensee shall, forthwith after releasing any lands, deliver to the Licensor two (2) copies of all available exploration data acquired by the Licensee in respect of the Licensed Area so released;

(e) That any and all lands released as provided herein shall be immediately released from the terms of this License and the Licensor shall have no further obligations to the Licensee, and the Licensee shall have no further rights or obligations (saving and excepting Paragraphs 19, 20, 21 and 22 hereof), with respect to any lands so released and, if requested, the Licensee shall forthwith deliver to the Licensor written quit claims or releases to such effect;

(f) That upon the release of lands as provided herein, Schedules I and II hereto shall be amended accordingly and the Licensed Area for all purposes of this License shall be such retained area; and

(g) That annual license fees and minimum exploration expenditures for subsequent license years shall continue to be determined in accordance with the formulae provided in Paragraphs 4 and 6 hereof, respectively.

9. ASSIGNMENT OF LICENSED AREA

It is understood and agreed between the parties hereto that the Licensee, at any time during the currency hereof, has the option of assigning all or portions of the Licensed Area to third party interests ("assignees"), provided:

(a) The Licensee is not in material default, breach or non-performance of any of the covenants, terms or conditions of this License;

(b) The assigned lands shall consist only of entire grid claims or combinations thereof;

(c) The Licensee shall deliver written notification to the Licensor confirming its intention to exercise the said option, and shall simultaneously provide maps and coordinates identifying the grid claims proposed to be assigned, together with identification of the proposed assignee;

(d) The Licensee has first obtained the written consent of the Licensor, which consent shall not be unreasonably withheld or delayed;

(e) The assigned lands are made part of an agreement between the Licensor and the assignee ("new license"), said new license to be dated and made effective on the day following the release of the assigned lands from the within License and to include the same terms, conditions and options as the within License for the remainder of the unexpired term hereof;

(f) That the Licensee has paid or made satisfactory arrangements to pay (the sufficiency of which shall be in the sole and unfettered discretion of the Licensor) to the Licensor the cash equivalent of five (5%) percent of the entire consideration which the Licensee is to receive in respect of the assignment of any part or all of the Licensed Area, such amount or amounts to be paid to the Licensor the cash equivalent when the consideration for the Licensed Area is payable to the Licensee from any assignee, and should a part or all of the consideration be received by the Licensee be shares in a corporation, then the cash equivalent shall be payable on the first date that such shares can be sold or traded pursuant to any regulatory rules governing the said shares. The Licensee shall, prior to making any assignment of a part or all of the Licensed Area ensure that any party it is dealing with in respect of such future assignment is put on actual notice of the terms of this agreement governing the assignment of any or all of the Licensed Area;

(g) The Licensee and any Assignee shall provide upon demand to the Licensor, any and all information used to calculate or evidencing the value of the Licensed Area, including any and all agreements, options, reports, studies, geophysical surveys, geological or similar reports, which comment on the quantity and location of minerals, or contains information which could be used to determine the possible value of the Licensed Area, including any agreements as between the Licensee and Assignee in respect of the Licensed Area;

(h) The Licensee, or should the Licensee be a partnership the partners, or should the Licensee be a corporation the senior executive officer of the corporation, shall certify in writing on behalf of him or herself and the Licensee the details of the price paid or to be paid to the Licensee for the Licensed Area. Similarly, the Assignee, shall by way of certificate of its senior executive officer or equivalent, certify what price was paid or is to be paid for the Licensed Area. Both of the aforementioned certifications shall be provided to the Licensor a minimum of five (5) days prior to the closing of any transaction involving the Licensed Area;

(i) The above clauses regarding assignment of the Licensed Area shall be disclosed to any Assignee or Transferee and the Assignee or Transferee shall agree to be bound by the same terms.

(j) The Licensee has paid to the Licensor its then current administration/documentation fee (\$200 as of the license date) for each of the assigned grid claims;

(k) The Licensee shall, forthwith after assigning any lands, deliver to the Licensor three (3) copies of all available exploration data acquired by the Licensee in respect of the Licensed Area so assigned;

(l) That any and all lands assigned as provided herein shall be released from the terms of this License and the Licensor shall have no further obligations to the Licensee, and the Licensee shall have no further rights or obligations (saving and excepting Paragraphs 19, 20, 21 and 22 hereof), with respect to any lands so assigned and released and, if requested, the Licensee shall forthwith deliver to the Licensor written quit claims or releases to such effect;

(m) That upon the assignment of lands as provided herein, Schedules I and II hereto shall be amended accordingly and the Licensed Area for all purposes of this License shall be such retained area; and

(n) That in the event all of the Licensed Area has been assigned in accordance with the foregoing, the Licensee may proceed with termination as provided in Paragraph 17, save and except the requirement of three (3) months advance written notice being reduced to seven (7) days; and

(o) That any reduction(s) in the Licensed Area caused by the exercising of the foregoing option to assign shall not have any effect on or cause any reduction or recalculation of the annual license fees or minimum exploration expenditures for the then current license year during which any such assignment may occur, and that annual license fees and minimum exploration expenditures for subsequent license years shall continue to be determined in accordance with the formulae provided in Paragraphs 4 and 6 hereof, respectively.

10. ADDITIONS TO LICENSED AREA

It is understood and agreed between the parties hereto that the Licensee, at any time during the currency hereof, may request that additional lands be included under the terms of this License, provided:

(a) The Licensee is not in material default, breach or non-performance of any of the covenants, terms or conditions of this License;

(b) The additional lands shall consist only of entire grid claims or combinations thereof;

(c) The Licensee shall deliver written notification to the Licensor confirming its request for additional lands, and shall simultaneously provide maps and coordinates identifying the grid claims proposed to be added to the Licensed Area;

(d) The Licensee has first obtained the written consent of the Licensor, which consent shall be at the sole discretion of the Licensor;

(e) The additional lands are made part of the within License by way of an amending agreement between the parties hereto, which said agreement shall provide for such additional lands, less any Excluded Areas contained therein, to be included in Schedules I and II hereto;

(f) The annual license fee formulae presented in Paragraph 4 hereof shall be amended for the remainder of the Term by increasing the base fee (as defined in Paragraph 4(a)) by \$500 for each grid claim added during the original term and by \$600 for each grid claim added during the renewal term. The said fee for the then current license year shall be recalculated using the then current total number of grid claims retained as the Licensed Area and the calculated increase for the remainder of the then current license year shall be paid by the Licensee to the Licensor upon execution of the aforementioned amending agreement; and

(g) The minimum exploration expenditure for the then current license year shall also be recalculated using the then current total number of grid claims retained as the Licensed Area and the calculated increase for the remainder of the then current license year shall be expended by the Licensee during the same license year. Minimum exploration expenditures for subsequent license years shall continue to be determined in accordance with the formulae provided in Paragraph 6 hereof.

11. OPTION TO LEASE

Provided the Licensee is not in material default, breach or non-performance of any of the covenants, terms or conditions of this License, the Licensee shall have the sole and exclusive right to acquire from time to time during the currency hereof a Lease or Leases for mineral exploration, development and commercial production purposes, in the form annexed as Schedule III hereto, in respect of the mining rights only of such designated areas within the Licensed Area as the Licensee may select (save and except any Excluded Areas or New Excluded Area contained within the designated areas), subject to the following:

(a) One or More Leases/Independent Agreements

For greater certainty, the Licensee shall, subject to the following conditions, have the right during the currency of this License to take one or more portions of the Licensed Area to lease and the Licensee may enter into one or more Leases derived from this License, each of which shall be separate and independent agreements that will survive any expiration or termination of the within License;

(b) Consent of the Licensor to Exercise Right to Lease

Prior to exercising the Licensee's right to lease, the Licensee shall obtain from the Licensor consent, which may be granted, on the sole and unfettered discretion of the Licensor acting reasonably, and upon the Licensee demonstrating to the Licensor that a commercial mining operation is financially feasible and viable in part or all of the Licensed Area. In exercising its discretion the Licensor may engage a qualified independent third party to review all material and documents submitted by the Licensee to the Licensor or germane to the issue of commercial viability of a mining operation on part or all of the Leased Area, in order that such independent party or parties comment on the proposal of the Licensee to establish a commercial mining operations, the expense of such independent third party or parties to be borne solely by the Licensee. Further, in exercising its discretion, the Licensor may require the Licensee to demonstrate that it has completed a minimum cumulative exploration expenditure on the Licensed Area calculated as the product of \$10,000.00 multiplied by the sum of the number of grid claims made part of the License in accordance with paragraph 10 hereof, (paragraphs 8 and 9 hereof will

not have any influence, bearing or application on or with respect to this requirement). In the event of an assignment in accordance with paragraph 9 hereof, the Assignee will be obligated to have first completed a minimum cumulative exploration expenditure, calculated as the product of \$10,000.00 multiplied by the number of grid claims assigned to the Licensee, prior to leasing any part or parts of the Licensed Area. The aforementioned conditions to the Licensee exercising its right to lease are inserted solely for the benefit of the Licensor and may be waived in whole or in part or severally by the Licensor, at any time.

(c) Minimum Acreage of Leased Property

The net area of lands owned by the Licensor that are included within any single Lease derived herefrom shall not be less than 975 acres;

(d) Leased Property Released from License

Any and all portions of the Licensed Area that are taken under the terms of a Lease or Leases shall be immediately released from the terms of this License (with Schedules I and II hereto amended accordingly) and the Licensor shall have no further rights against or obligations to the Licensee, and the Licensee shall have no further rights or obligations (saving and excepting Paragraphs 19, 20, 21 and 22 hereof), with respect to any lands so released and, if requested, the Licensee shall forthwith deliver to the Licensor written quit claims or releases to such effect.

12. LEASE PROVISIONS

Certain Sections and Subsections of the Lease (as referenced hereinafter) cannot be completed until the area (acreage) of the Leased Property and the date of the Lease are established. Accordingly, both parties hereto agree to apply the following appropriate rates and amounts at such time as the option to lease is exercised:

(a) Leased Property Rental Rates

The annual rental rate for the first five (5) year term of the Lease (to be inserted in Subsection 4.01 (a) thereof) shall be calculated at the time the said Lease is dated by multiplying the acreage of the Leased Property (as stated in Subsection 1.01 (f) of the Lease) by the following scheduled rental rates per acre per year:

- (i) \$100 for any Lease entered into during the original term,
- (ii) \$120 for any Lease entered into during the renewal term hereof, and

annual rental rates for subsequent renewal terms of the Lease will be determined in accordance with Subsection 4.01 (b) thereof.

(b) Minimum Annual Work Expenditures on Leased Property

As required to be inserted in Section 4.04 of the Lease, the lessee thereunder shall annually expend on development work on the Leased Property, an amount calculated by multiplying the acreage of the Leased Property by the following scheduled minimum work expenditure rates per acre per year:

- (i) \$100 for any Lease entered into during the original term, and
- (ii) \$120 for any Lease entered into during the renewal term hereof,

but no such work expenditure on a single Leased Property shall be required upon commencement and continuation of commercial production on the same single Leased Property.

(c) Royalty Reduction Option

As provided in subsection 4.03 (b) of the Lease, the lessee therein has, for each mine commencing commercial production, the conditional option of reducing the royalty retained by and payable to the lessor therein to a maximum of two (2%) percent for all minerals except for diamonds, gems and other precious or semi-precious stones which will remain at five (5%) percent. The purchase price for the first one (1.0) percent of the royalty shall be \$1,000,000 and for every one-half (0.5%) percent increment of royalty there-after shall be \$1,000,000.

13. EXERCISE OF OPTION TO LEASE

The option to lease granted in Paragraph 11 hereof shall be deemed to have been exercised from time to time during the currency hereof if the Licensee:

- (a) notifies the Licensor in writing that the option is exercised;
- (b) notifies the Licensor of the designated areas, with a plan showing the location thereof, for which a Lease is requested by the Licensee; and
- (c) certifies to the Licensor under corporate seal that it has met the minimum cumulative exploration expenditure requirement in Paragraph 11(b) hereof.

14. EXECUTION OF LEASE

Upon the exercise from time to time of the option to lease provided herein, the Licensor and the Licensee shall, within sixty (60) days, execute and deliver to each other a Lease of the designated areas selected by the Licensee, save and except any Excluded Areas or New Excluded Area which shall be subject to the Licensor's approval.

15. EXCLUSIONS FROM LICENSE

The herein licensed use of the Licensed Area by the Licensee shall not include:

(a) any right, title or claim to the timber, mining and/or surface rights of the Licensed Area other than the right to enter upon, use and occupy such parts of the surface thereof as are necessary for the purpose of carrying out exploration activities performed in accordance with the conditions and limitations set out herein;

(b) the right to construct a mine or mines or to engage in commercial production on the Licensed Area without having first qualified for and entered into a Lease respecting the same;

(c) the right to clear or disturb the surface of the Licensed Area for a distance of ninety (90) meters from the high water mark of all rivers, streams, lakes and ponds without having first received written authorization from the Licensor;

(d) the right to interfere with or damage in any way any improvements made on or to the Licensed Area by any legal occupant thereof, except to the extent that such right is reserved to the Licensor in any agreement, transfer, conveyance, license or lease and is subsequently conferred upon the Licensee by way of written authorization from the Licensor;

(e) the right to block or damage in any manner any roads, bridges, culverts or driveways located wherever or whenever on, or used as access to, through or beyond the Licensed Area. All repairs or improvements arising from the use of the aforesaid roads, etc. by the Licensee shall be at the sole risk and expense of the Licensee;

(f) the right to deposit, dump, leave or abandon any waste materials, including debris, slash, lubricants, fuel, litter, rubbish, etc. on the Licensed Area or on any other lands owned by the Licensor, and any such waste materials will be disposed of only in a manner and place approved by the Licensor and the governing authorities having jurisdiction thereover;

(g) the right to any deposits of soil, sand, gravel or other unconsolidated aggregate or pit materials on the Licensed Area; and

(h) the right to cut down, damage or destroy any standing trees or other vegetation on the Licensed Area or on any other lands owned by the Licensor without prior written authorization having first been obtained from the Licensor. Notwithstanding the foregoing, the Licensor hereby authorizes the Licensee to clear such trees and other vegetation as may be necessary and reasonable to carry out exploration activities, provided that at all times the Licensor is advised beforehand with respect to any such trees that may be of merchantable quality. Any clearing of trees or other vegetation, whatsoever, is subject at all times to:

(i) the first right of the Licensor, or any third party authorized by the Licensor, to harvest any and all merchantable timber located on the Licensed Area;

(ii) the Licensee paying stumpage to the Licensor at the rate of \$50 per cubic meter for all merchantable timber harvested by the Licensee, its servants or agents. All such merchantable timber shall be downpiled in a manner and location that is acceptable to the Licensor for scaling purposes prior to removal or disposal of the said merchantable timber; and

- (iii) the Licensee removing, chipping or otherwise disposing of all logs, tops, branches and other tree or woody materials ("tree slash") greater than four (4") inches in diameter resulting from authorized clearing activities. All other tree slash can be left on the Licensed Area provided it has been slashed down and trampled to within one (1') foot of the surface of the ground. Mounding or windrowing of tree slash or other vegetative or organic debris generated by such clearing is not permitted on the Licensed Area, and the Licensee will not apply herbicides or employ burning techniques in the control of vegetation or the reduction of tree slash or other organic debris without having first obtained written authorization from the Licensor and the applicable governing authorities having jurisdiction thereover.

16. RESERVATIONS

This License is made subject to the reservations, limitations, provisoes and conditions expressed in the original grant from the Crown, and to a profit a prendre respecting fauna rights to the Crown, and to the provisions of any governing authority or legislation having jurisdiction or application during the currency hereof, all of the foregoing to the extent applicable with respect to the Licensed Area, and without limiting the reservations conversely implied or intended by the enumeration of specific rights and privileges granted hereunder to the Licensee, the Licensor hereby also reserves unto itself, its duly authorized agents and representatives:

(a) and its servants, lessees, licensees and other parties authorized by the Licensor, the full use and enjoyment of the surface rights in respect of the Licensed Area provided that any such use does not unduly interfere with the rights of the Licensee specified herein;

(b) the right from time to time and at any time to enter into agreements, leases or licenses with third parties that authorize said third parties to use or occupy the surface rights of part or parts of the Licensed Area for purposes such as, but not limited to, timber harvesting, aggregate extraction, roads, utilities, transmission lines, telecommunications, hydro reservoirs, seasonal dwellings, recreational activities, etc. provided that any such authorizations or conveyances of a legal interest in the surface rights of part or parts of the Licensed Area do not unduly interfere with exploration activities then in continuous operation thereon and do not in any way diminish the exclusiveness of the License hereby granted to the Licensee; and

(c) the right from time to time and at any time to sell or transfer any part or all of the Licensed Area, or assign this License, without the consent of, and without notice to, the Licensee, and in the event of any such sale, transfer or assignment, such purchaser or assignee shall be required to assume the covenants and obligations of the Licensor hereunder, and the Licensor shall, without further written agreement, be freed and relieved of liability upon such covenants and obligations.

17. TERMINATION BY LICENSEE

(a) Provided it is not in default, breach or non-performance of any of the covenants, terms or conditions of this License, the Licensee may terminate this License at any time during the currency hereof by giving three (3) months advance written notice to the Licensor of its decision to terminate. Notwithstanding any such termination as herein provided, the Licensee, if it

becomes the lessee under any Lease(s) granted hereunder, shall continue to have and to hold all of the rights and obligations granted under such Lease(s) during the currency of such Lease(s).

(b) Upon termination as provided in (a) above, the Licensee shall (without limitation) have made all exploration expenditures covenanted herein to be made by the Licensee from the license date to the date of termination. In the event that the Licensee has not met and is not prepared to meet the said total exploration expenditure requirement, both parties hereby agree that the Licensee shall, alternatively, pay to the Licensor on or before the date of termination a compensatory amount equivalent to one-half (1/2) of that portion of the said total exploration expenditure requirement which the Licensee has not met and is not prepared to meet prior to the date of termination. For the purposes hereof, the exploration expenditure requirement for the license year in which termination occurs shall be adjusted pro rata by the number of days in the said (last) license year that this License remains in effect.

(c) The Licensee agrees that upon termination as aforesaid, there shall be no refund by the Licensor of annual license fees or taxes paid in advance and no waiver, reduction or pro rata adjustment of license fees or taxes that become due or payable on or before the date of termination.

(d) In the event of termination in accordance with the foregoing provisions, the Licensee shall furnish to the Licensor within ninety (90) days of such termination two (2) copies of all reports, maps and other factual data concerning the Licensed Area (typewritten and suitable for photographic reproduction) which it obtained during the Term of this License and which it has not previously furnished to the Licensor.

(e) Upon termination as aforesaid, the Licensor shall have no further rights against or obligations to the Licensee, and the Licensee shall have no further rights or obligations (saving and excepting Paragraphs 19, 20, 21 and 22 hereof) hereunder and, if requested, the Licensee shall forthwith deliver to the Licensor written quit claims or releases to such effect.

18. TERMINATION BY THE LICENSOR / DEFAULT

(a) Upon any material default, breach or non-performance by the Licensee of any of the covenants, terms and conditions or any of them in this License contained, and said default, breach or non-performance has not been fully rectified by the Licensee within thirty (30) days of written notice regarding the same having been given to the Licensee by the Licensor, the Licensor shall have the option, at its sole discretion, and in addition to any other rights or remedies it may have, of either immediately terminating this License or suspending or withholding the Licensee's rights or privileges herein until such default, breach or non-performance has been fully rectified by the Licensee to the full satisfaction of the Licensor; and in either event, the Licensee, its servants and agents shall not enter upon the Licensed Area or any other lands owned by the Licensor for any purpose whatsoever without additional specific written authorization from the Licensor. It being understood that if there is a dispute between the parties as to whether such a default, breach or non-performance has in fact occurred, the parties shall submit such dispute to arbitration pursuant to Paragraph 29 hereof. Notwithstanding any such termination as herein provided, the Licensee, if it becomes the lessee under any Lease(s) granted hereunder, shall continue to have and to hold all of the rights and obligations granted under such Lease(s) during the currency of such Lease(s).

(b) Upon termination by the Licensor as provided in 18 (a) above, Paragraphs 17 (b), (c), (d) and (e) above shall apply as though part of this Paragraph 18.

19. REMOVAL/CLOSURE/REHABILITATION

(a) Within six (6) months following the date of expiration or termination of this License, the Licensee will, at the sole risk and expense of the Licensee, remove from the Licensed Area and any other lands owned by the Licensor, any and all buildings, structures, machinery, equipment, power transmission lines, pipelines, sewage facilities, storage tanks and contents, etc. belonging to or constructed or installed by the Licensee or its servants or agents, and shall manage and stabilize all tailings and waste rock, safely secure and close all adits, shafts, declines and other underground entries, backfill all exploration trenches or other excavations to the original grade and elevation, redistribute any piled or mounded overburden materials onto any surface stripped areas and remove all waste material, drill cores and samples located on the Licensed Area, any and all that were made, caused, used, revived, reopened or disturbed by the Licensee or its servants or agents while performing or as a consequence of any activities or operations conducted under the terms hereof, and shall complete all such work so required to leave the Licensed Area safe and free and clear of all waste materials and shall take any and all other necessary removal, closure, reclamation and rehabilitative measures and complete all work so required to satisfy the Licensor, acting reasonably, and to comply fully with any and all applicable government laws and regulations from time to time in effect.

(b) The timeframe and obligations embodied in (a) above shall apply, with necessary modifications, to any portion of the Licensed Area that may be (and when) released from this License in accordance with Paragraphs 8 and 9 hereof.

(c) Should the Licensee fail to comply with (a) or (b) above then the Licensor may carry out such work as agent of and at the expense of the Licensee and the Licensee shall pay to the Licensor forthwith on demand all costs and expenses incurred in so doing.

(d) Under any of the foregoing situations, the conditions embodied in Paragraphs 20, 21 and 22 hereof shall remain applicable and effective until such time as all work to be performed by the Licensee or by the Licensor as agent of the Licensee shall have been carried out to the satisfaction of the Licensor and any applicable regulatory authorities having jurisdiction thereover.

(e) The obligations of this Paragraph 19 shall survive expiration or termination of this License.

20. INDEMNITY

Except to the extent attributable to the negligence of the Licensor, the Licensee agrees to indemnify and save harmless the Licensor of and from any and all manner of claims, demands, losses, costs, damages, expenses, actions, or other proceedings, whenever and howsoever arising, including those concerning any environmental liability, those arising under the Occupiers' Liability Act and those for compensation under the Workers' Compensation Act or any similar Act, whatsoever, made or brought against, suffered by, or imposed upon the Licensor or its property, agents, employees, or any other person, firm or corporation in respect of any injury,

death, loss or damage to any person or property (including, without limitation, servants, agents, invitees, permittees, licensees, lessees and property of the Licensor and the Licensee) directly or indirectly arising out of, resulting from or sustained by reason of the Licensee's occupancy or use of the Licensed Area or any buildings, fixtures, structures or other property or improvements located thereon, or the Licensee's use of other lands, whether or not owned by the Licensor, for any purpose whatsoever, including ingress to or egress from the Licensed Area or any activity or operation connected with this License, or any breach or non-performance by the Licensee of its covenants and obligations under this License; it being acknowledged and agreed by the Licensee that its liability to the Licensor under this paragraph shall survive expiration or other termination of this License.

21. LIABILITY INSURANCE

At all times during the Term of this License and during the period required to fulfill the obligations set out in Paragraph 19 hereof, the Licensee shall maintain a minimum of Five Million (\$5,000,000) Dollars comprehensive public liability insurance, in respect of personal injury, death, loss or damage of or to the person or property of third parties, with insurers of recognized responsibility. The Licensor will be a named insured in the required liability insurance policy or policies and no such policy will be cancelled or allowed to lapse without at least thirty (30) days written notice having first been given to the Licensor, and the Licensee shall obtain undertakings from all insurers to accommodate these requirements. The Licensee shall furnish the Licensor with a certificate of said liability insurance policy or policies forthwith upon commencement of the Term hereof.

22. GOVERNMENTAL REQUIREMENTS

(a) At its sole expense, the Licensee will observe and comply with all governmental requirements, including all legislation, regulations and conditions, statutory and otherwise, that may from time to time be in force and which are applicable to the use by the Licensee of the Licensed Area or any other lands owned by the Licensor, or any activities or operations whatsoever that may be undertaken by the Licensee, its servants or agents in connection herewith, whether or not occurring on lands owned by the Licensor. The foregoing includes, without limitation, all progressive and final environmental, rehabilitation, reclamation and closure requirements relating to exploration, development and mining activities. Where the Licensee is required to file closure plans and/or financial assurances (collectively referred to as "Closure Plans") with government regulators in accordance with the Ontario Mining Act (R.S.O. 1990, Chap. M.14) as amended from time to time, one copy of such Closure Plans and all annual reporting requirements with respect thereto shall be furnished by the Licensee to the Licensor.

(b) The Licensor shall not be obligated in any manner to assume any responsibility or liability that may arise in connection with the Licensee's compliance with the aforementioned governmental requirements and the Licensee shall have no recourse against the Licensor under any circumstance for the costs thereof or for any damages arising therefrom;

(c) Without limiting the foregoing, such legislation includes all environmental and mining related laws and regulations, statutory and otherwise, such as the Mining Act, the Mining Tax Act, the Forest Fires Prevention Act, the Navigable Waters Protection Act (Canada), the Environmental Protection Act, the Lakes and Rivers Improvement Act and all other similar or

applicable legislation and any amendments thereto or regulations thereunder which have been or shall hereafter be made;

(d) The Licensee shall obtain all necessary approvals and permits (such as work permits, fire permits, entrance permits, etc.) from the applicable government authorities prior to commencing any activities or operations so governed by the said authorities; and

(e) The obligations of this Paragraph 22 shall survive expiration or termination of this License, particularly with respect to Paragraph 19 hereof.

23. ACCESS

Saving and excepting the Licensor 's covenant that it will not do or permit any act, either directly or indirectly, to impair, hinder, restrict or adversely affect the Licensee's access to, from, on or across the Licensed Area or other lands under the control of the Licensor, the Licensor does not warrant continuation, adequacy, maintenance or safety of any new or existing access to, from, on or across the Licensed Area and any such access shall be at the sole risk and expense of the Licensee, its servants and agents. If it is necessary to cross other lands of the Licensor for ingress to or egress from the Licensed Area, the way used therefor shall be that which has been used as or designated by the Licensor as common or public access or, otherwise, that which has been approved in writing in advance by the Licensor and, in any such event, the Licensee hereby agrees to repair any damage to any access that has been caused by the Licensee or its servants or agents.

24. REPORTS, INSPECTIONS AND NOTICE OF WORK

(a) An annual work report describing in detail the nature and quantity of all exploration activities carried out on the Licensed Area during the license year just completed, together with a certified, itemized statement of all associated exploration expenditures, shall be submitted by the Licensee to the Licensor within thirty (30) days of the last day of each license year. Said work report shall also include a work proposal for the upcoming license year.

(b) By way of written notice delivered to the Licensee on or before the end of a license year quarter, the Licensor may demand, from time to time and at any time during the currency hereof, and the Licensee will produce quarterly interim reports. Said interim reports will contain a certified, itemized statement of all exploration expenditures made by the Licensee during the current license year to the end of the license year quarter specified by the Licensor, and shall be received by the Licensor within thirty (30) days of the last day of the said specified license year quarter.

(c) Two copies of all geological or other exploration/development reports, including maps, assay results, etc., pertaining to the Licensed Area (typewritten and suitable for photographic reproduction), shall be delivered by the Licensee to the Licensor forthwith upon completion thereof by the Licensee.

(d) Representatives of the Licensor may at all reasonable times enter upon the Licensed Area for the purpose of inspecting the work and operations being carried on by the Licensee, provided said representatives shall not unreasonably hinder such work or operations of the Licensee.

(e) The Licensee will at all times keep proper and accurate books of account and records concerning exploration activities and exploration expenditures on the Licensed Area, and such books and records shall be available at all reasonable times during regular business hours for inspection and audit by the Licensor who may make copies thereof and extracts therefrom.

(f) All reports and other information generated hereunder and submitted or made available by the Licensee to the Licensor shall be held in confidence during the currency hereof. Upon receipt by the Licensor of a written request from the Licensee, any of the said reports or other information that contain information relating to any Leased Property derived from the within License shall be held in confidence during the currency of the respective Lease or Leases.

(g) The Licensee will notify the Licensor verbally or in writing of any and all work, including but not limited to site visits and other work as set out in paragraph 1(b). Such notification will be given a minimum of five (5) days prior to the commencement of the work.

25. DISCLOSURES

During the currency hereof, neither party hereto will disclose to any person, firm or corporation any information with respect to this License or the other party without having first obtained the written consent of the other party to such disclosure; provided that the publication or furnishing of any such information when required by law or the rules or regulations of any stock exchange, governmental agency or other regulatory authority shall not constitute a breach of such confidence.

26. FORCE MAJEURE

If either party shall be prevented or delayed from performing any of the obligations on its part to be performed hereunder (other than payment of license fees, royalties and taxes) by reason of any act of nature, strike or threat of strike, fire, flood, interruption or delay in transportation, war, insurrection or mob violence, requirement or regulation of government, environmental obstruction, plant breakdown, or any other disabling cause, without regard to the foregoing enumeration, beyond the control of such party (but excluding lack of finances) or which cannot be overcome by the means normally employed in performance and at comparable expense, then and in such event any such failure to perform shall not be deemed a breach of this License and performance of the aforesaid obligations shall be suspended during such period of disability and all rights of such party and the time for performance of such obligations shall be extended for a period equal to the period or periods of such disability. Any party hereto claiming suspension of its obligations as aforesaid will promptly notify the other party to that effect and will take all reasonable steps to remove or remedy the cause and effect of the force majeure described in the said notice insofar as it is reasonably able to do so and as soon as possible; provided that the terms of settlement of any labour disturbance or dispute, strike, or lockout will be wholly in the discretion of the party claiming suspension of its obligations by reason thereof, and that party will not be required to accede to the demands of other parties in any such labour disturbance or dispute, strike or lockout solely to remedy or remove the force majeure thereby constituted.

27. REGISTRATION

The Licensee will not register this License in this form or any part thereof against the title of the Licensed Area and will not deposit or file a copy of this License or any part thereof in any Registry Office, Land Titles Office or with the Registrar General of Canada.

28. ASSIGNMENT OF LICENSE

Saving and excepting the assignment rights of the Licensee as set out in Paragraph 9 hereof, the Licensee will not assign or sublet this License or any part of this License without the prior written consent of the Licensor, which consent shall not be unreasonably withheld or delayed. The Licensee shall be permitted to assign this License to a subsidiary, associated or affiliated company of the Licensee, or any coporation formed as a result of a merger or amalgamation with the Licensee, provided that the Licensee and any Transferee or Assignee satisfy the terms of paragraph 9 hereof, and provided that such assignment shall not operate to release the Licensee from any or all of its obligations hereunder.

29. ARBITRATION

The parties agree, subject to the requirement that the arbitrator be a person familiar with the mining industry in Ontario and independent of either party, that any dispute arising between them shall be resolved by arbitration under the provisions of the Arbitration Act (Ontario), 1991, as amended, and that the procedure to be followed at any such arbitration shall be based as closely as may be on the Model Rules of the Arbitration and Mediation Institute of Ontario.

30. NOTICE

Except as otherwise specified herein, any notice, demand, request or other communication required or permitted to be given hereunder shall be given in writing, by delivery in person to a named representative of any party hereto or by mail, fax or courier properly addressed to each party to whom given, with postage and charges prepaid. A notice given under any provision hereof shall be deemed given only when received by the party to whom such notice is directed, except that any notice given by mail or courier shall be deemed given to and received by the party to whom directed six (6) business days after such notice is deposited in the mail or registered by the courier or, if sent by fax, twenty-four (24) hours after such notice is transmitted, excluding Saturdays, Sundays and statutory holidays in the country of destination. During periods of postal disruption in either the country of origin or destination, any such notice shall be delivered by fax or courier.

Each party's proper address shall be the following until such party specifies another address by written notice given in accordance herewith to the other party:

If to the Licensor : **Ian Frazier**
Property Manager
c/o FACTS Ltd.
714 Finn's Bay Road
Echo Bay, Ontario
P0S 1C0

Phone: (705) 248-3378
Fax: (705) 248-1139

If to the Licensee:

Hudson River Minerals Ltd
130 Adelaide Street West
Suite 2800
Toronto, Ontario
M5H 3P5

Attention: Stephen Balch

Phone: 416-364-5371
Fax: 416-366-8571

31. GOVERNING LAWS

This License shall be governed by and interpreted in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and shall be treated in all respects as an Ontario license.

32. CURRENCY

All dollar amounts referred to herein shall be in Canadian currency.

33. INTEREST ON PAYMENTS

All payments which are required to be made by one party to the other pursuant to this License shall bear interest in default or arrears in an amount equal to five (5%) per annum plus the then current annual prime rate of interest charged by the Bank of Montreal in Toronto, Ontario for loans in Canadian dollars to its most credit worthy commercial customers.

34. HEADINGS

The headings of the paragraphs and subparagraphs in this License are for convenience of reference only and shall not affect the construction or interpretation hereof.

35. EXPANDED MEANINGS

In this License, unless there is something in the subject matter or context inconsistent therewith;

(a) the singular shall include the plural and the plural shall include the singular,

(b) the masculine shall include the feminine, and

(c) a reference to any statute shall be deemed to extend to and include any amendment to or replacement of such statute.

36. TIME OF ESSENCE

Time shall be of the essence of this License.

37. ENUREMENT

This License shall enure to the benefit of and be binding upon the successors and permitted assigns of the parties hereto.

38. ENTIRE AGREEMENT

All of the agreements and understandings between the parties hereto with respect to the Licensed Area are embodied in this License and the Lease attached hereto, both of which

supersede all prior agreements and understandings between the parties hereto with respect to the Licensed Area.

39. AMENDMENTS

No change, modification or alteration of this License shall be valid unless the same is made in writing and signed by both of the parties hereto. Amendments in writing may be made at any time and from time to time by concurrence of both the parties.

40. WAIVER OF PROVISIONS

No waiver of any of the provisions of this License shall be deemed or shall constitute a waiver of any other provision (whether or not similar) nor shall any waiver constitute a continuing waiver unless expressed in writing and agreed upon by both parties hereto.

41. FURTHER ACTS

The parties hereto shall from time to time and at all material times do such further acts and things and execute and deliver all such further documents and instruments as may be reasonably required in order to carry out and implement the true intent and meaning of this License.

IN WITNESS WHEREOF the Licensor and the Licensee have executed this License under the hands of their respective proper signing officers duly authorized in that behalf as of the license date.

Michipicoten Forest Resources

By: _____
Vaughn Stough - President

Hudson River Minerals Ltd

By: _____
Stephen Balch – President, CEO

I/We have authority to bind the Corporation.

Schedule I

To the Mineral Exploration License Agreement
Dated as of November 1, 2011

LICENSED AREA - LIST OF GRID CLAIMS

Saving and excepting all Excluded Areas and New Excluded Area, the Licensed Area consists of certain grid claims, or portions thereof, listed as follows by the mid-point coordinates, commencing in the most northwesterly part of the Licensed Area. The Licensed Area is located entirely within the District of Algoma, Province of Ontario.

(UTM ZONE 16, NAD27)

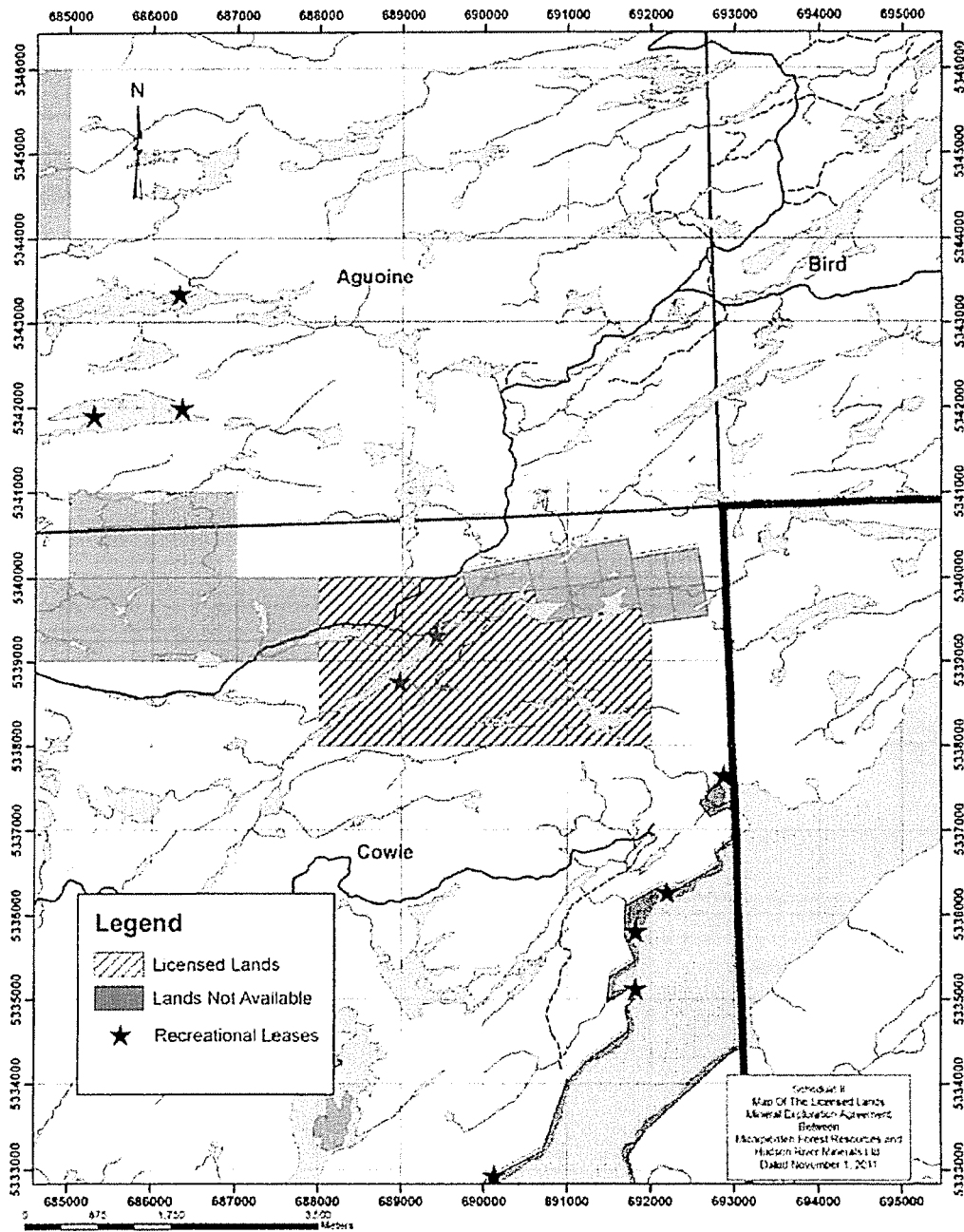
Mid Easting	Mid Northing	Grid Claim	Net Claim	Township
688500	5339500	1	1	Cowie
689500	5339500	1	0.94	Cowie
690500	5339500	1	0.68	Cowie
691500	5339500	1	0.55	Cowie
688500	5338500	1	1	Cowie
689500	5338500	1	1	Cowie
690500	5338500	1	1	Cowie
691500	5338500	1	1	Cowie
	Total	8	7.17	

*Note: The Net # of Grid Claims (being the Gross # of Grid Claims less lands contained therein that are not owned by the Licensor) is the amount used in the calculations set out in paragraphs 4 & 6 of the License

Schedule II

To the Mineral Exploration License Agreement
Dated as of November 1, 2011

MAP OF THE LICENSED AREA



Schedule III

**To the Mineral Exploration License Agreement
Dated as of November 1, 2011**

LEASE

THIS LEASE made as of the _____ day of _____
(hereinafter referred to as the "**lease date**")

B E T W E E N:

**011651 NOVA SCOTIA LIMITED,
a Nova Scotia Corporation trading as
"Michipicoten Forest Resources"**

(hereinafter referred to as the "**Lessor**")

OF THE FIRST PART

- and -

Hudson River Minerals Ltd.

(hereinafter referred to as the "**Lessee**")

OF THE SECOND PART

WHEREAS the Lessor and the Lessee have previously entered into a Mineral Exploration License Agreement dated as of February 1, 2005 under the terms of which the Lessee agreed to carry out mineral exploration activities on and under certain lands of which the Lessor is the registered owner (hereinafter referred to as the "**License**");

AND WHEREAS the Lessee has, to the satisfaction of the Lessor, sufficiently complied with the terms of the License to allow the Lessee to exercise the option therein contained to have certain portions of the Lessor's lands included within a mining lease agreement for the purpose of carrying out mineral exploration, development and commercial production activities thereon and therefrom;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the premises and the rents, covenants and agreements hereinafter reserved and contained on the part of the

Lessee to be paid, observed and performed, the Lessor does hereby agree to grant, demise and lease unto the Lessee, its successors and permitted assigns, the "Lands" as defined hereinafter.

ARTICLE ONE

DEFINITIONS AND INTERPRETATION

1.01 Defined Terms

In this Lease, unless there is something in the context inconsistent therewith, the terms defined in this Section 1.01 shall have the meanings herein specified:

- (a) **"Authorities"** means any authority, agency, board, tribunal, commission, branch or office of any Federal, Provincial, District, Regional, Municipal or other governmental department having jurisdiction over the whole or any part of the Lands, the mining rights or the surface rights in respect thereof, the activities hereby undertaken thereon, or the parties hereto;
- (b) **"Commencement Date"** means the thirtieth (30th) day of the first thirty (30) day period during which ore or concentrates are produced from a mine on the Lands at a rate equal to at least sixty (60%) percent of such mine's designed daily commercial capacity;
- (c) **"Commercial Production"** means active mining after the Commencement Date wherein ore or concentrates are being produced from a mine on the Lands at an average rate that exceeds sixty (60%) percent of such mine's designed daily commercial capacity, subject only to unavoidable delays (force majeure) as described in Section 11.01, and which results in shipment of ore or concentrates from the mine for treatment or sale. Without limiting the generality of the foregoing, Commercial Production specifically excludes bulk samples of ore or concentrates produced during pre-production, development or tune-up periods for assaying, testing or pilot plant purposes;
- (d) **"Development Work"** means all reasonable work, operations or activities normally associated with proper prospecting, exploration, advanced exploration, development, pre-production development or other mining work (but not Commercial Production) such as, but not limited to, geological, geophysical and geochemical surveys and studies, sampling, bulk sampling, surface stripping, trenching, drilling, shaft sinking, raising, cross-cutting and drifting, ramp exploration, dewatering underground workings, beneficiation studies, assays, metallurgical testing, construction of or improvements to access roads, a perimeter survey of the Lands, and developing, equipping, testing or analyzing part or parts of the Lands (including any mine or improvements thereon), any or all of which are completed on or with respect to the Lands as a direct result of the within Lease;
- (e) **"Improvements"** means all buildings, structures and fixed improvements now or hereafter constructed or installed on the Lands and includes any additions thereto or replacements thereof;
- (f) **"Lands"** means the mining rights in respect of those certain parcels or tracts of land and premises situate, lying and being in the Township of _____, in the District of Algoma, in

the Province of Ontario, as indicated on the plan attached hereto as Schedule "A" (excluding any lands marked as "Excluded Areas" on the said plan), which contain a net aggregate of ____ acres, more or less.

- (g) **"Lease"** means the within lease and all amendments and modifications and other instruments supplemental thereto from time to time entered into by the Lessor and the Lessee;
- (h) **"Lease Year"** means a consecutive period of twelve (12) calendar months commencing on the lease date or on any anniversary thereof during the Term hereof;
- (i) **"Lessee"** means 3011651 NOVA SCOTIA LIMITED and its successors and permitted assigns under this Lease;
- (j) **"Lessor"** means Hudson River Minerals Ltd. and its successors and permitted assigns under this Lease;
- (k) **"mine"** shall include any opening or excavation in, on or under, or working of, the Lands for the purpose of winning, opening up or obtaining any mineral or mineral-bearing substance, and any ore body, metallic mineral deposit, stratum, vein or seam, where mining is or may be carried on, and all ways, works, machinery, plant, buildings and premises below or above ground belonging to or used in connection therewith. For greater certainty, there could be one or more mines located on the Lands and a mine can exist for the purpose of carrying out Development Work as well as Commercial Production;
- (l) **"minerals"** means all naturally occurring metallic and non-metallic minerals including, without limitation, natural gas, petroleum, coal, salt, consolidated quarry material, industrial stone, gold, silver, all rare and precious metals, diamonds, gems and other precious or semi-precious stones;
- (m) **"mining rights"** means all rights in law to explore, develop, mine or extract minerals in, on, from or under lands, together with the right of all necessary and reasonable access across, and use or occupation of the surface of such lands specifically for the purpose of exploring, developing, mining or extracting the minerals therefrom;
- (n) **"Prime Rate"** means the annual rate of interest from time to time announced by the Bank of Montreal as its reference rate of interest charged by such bank in Toronto, Ontario for loans in Canadian dollars to its most credit worthy commercial customers;

- (o) **"Royalty"** means, depending on the product on which it is payable, either a net smelter returns royalty or a net sales returns royalty, being a percentage, as set out in accordance with Section 4.03 hereof, of the net smelter returns or net sales returns, whichever, realized or (if applicable) deemed to be realized, from the sale or other disposition of products derived from any and all ores and minerals mined, produced, saved or marketed from the Lands, subject to the provisions of Schedule "B" annexed hereto;
- (p) **"surface rights"** means all rights with respect to land (including timber) with the exception of mining rights;
- (q) **"Term"** means the term of this Lease as provided in Article Three hereof, consisting of the original term together with any additional renewal terms as provided for therein; and
- (r) **"Work Expenditures"** means all reasonable costs and expenses associated with Development Work completed on or with respect to the Lands as a direct result of the within Lease, including:
- (i) contract services such as diamond drilling and line cutting, professional consultants, and other applicable services procured from outside sources, including commissioning and preparing feasibility studies;
 - (ii) technical services in the field such as, but not limited to, laboratory analysis, geophysical, geochemical and geological interpretation, engineering, reserve studies and related computer services and data processing not provided by the Lessee;
 - (iii) fees or permit charges assessed by any Authorities respecting Development Work carried on by the Lessee;
 - (iv) labour, payroll and benefits for all field employees (excluding head office and divisional managerial and administrative personnel);
 - (v) all supplies, lodging and accommodation, maps, local project office supplies and equipment, field and camp equipment and local project office rent and maintenance;
 - (vi) all reasonable transportation costs, including vehicle rentals and operation, air flights, expenses and freight costs related specifically to all field employees included in (iv) above;
 - (vii) all reasonable communication and postage costs related to Development Work hereunder;
 - (viii) all reasonable costs directly associated with progressive or final closure or rehabilitation work completed in connection with Section 6.02 hereof, subject to such work having been approved in writing in advance by the Lessor and completed prior to the first Commencement Date;
 - (ix) other miscellaneous unforeseen expenditures that may arise, subject to the approval of the Lessor acting reasonably; and

- (x) an overhead fee for the Lessee's general administrative services and expenses, calculated as 10% of the costs and expenses identified in (i) to (ix) above.

Specifically excluded from this enumeration of allowable Work Expenditures are:

- (i) capital purchases by the Lessee;
- (ii) administrative services including property and title administration, accounting, legal, tax, drafting, secretarial, insurance and handling costs;
- (iii) technical expertise and consulting by the Lessee's head office;
- (iv) head office, district, division and regional office equipment and facilities including telecopiers, xerox and computer services;
- (v) managerial and supervisory salaries, benefits and related costs; and
- (vi) property acquisition costs such as payments to prospectors, finders fees, etc.
- (vii) rent, taxes and Royalties payable hereunder.

1.02 Schedules

The schedules to this Lease form part hereof and are comprised as follows:

Schedule "A" - Map of the Lands
Schedule "B" - Royalty

1.03 Interpretation

- (a) In this Lease, the expressions "herein", "hereof", "hereunder", "hereto", "hereinafter" and similar expressions refer to this Lease and not to any particular article, section, paragraph or other portion thereof, unless there is something in the subject matter or context inconsistent therewith.
- (b) The titles of articles and sections appearing in this Lease have been inserted as a matter of convenience and for reference only and in no way define, limit or enlarge the scope or meaning of this Lease or any provision hereof.
- (c) Words importing the singular shall include the plural and vice versa, and words importing gender shall include all genders.
- (d) This Lease shall be construed and enforced in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and shall be treated in all respects as an Ontario lease.

- (e) Each obligation or agreement of the Lessor or of the Lessee contained in this Lease, even though not expressed as a covenant, is considered for all purposes to be a covenant.
- (f) Each covenant contained in this Lease is considered for all purposes to be a separate and independent covenant, and a breach of a covenant by either the Lessor or the Lessee will not discharge or relieve the other party from its obligation to perform each of its covenants hereunder.
- (g) All of the provisions of this Lease shall be deemed and construed to be covenants as though the words importing such covenants were used in each separate provision hereof. Should any provision or provisions hereof be found or declared to be invalid, illegal or unenforceable, they shall be deemed to be severable, and all the other provisions hereof shall remain in force and be binding upon the parties hereto as though the said invalid, illegal or unenforceable provision or provisions had never been included.
- (h) This Lease constitutes the entire agreement among the parties pertaining to the lease of the Lands to the Lessee and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, between the parties with respect thereto, and there are no warranties, representations or other agreements between the parties in connection with this Lease except as specifically set forth herein. No supplement, modification or waiver or termination of this Lease shall be binding upon the parties hereto unless executed in writing by the parties. No waiver of any of the provisions of this Lease shall be deemed or shall constitute a waiver of any other provision (whether or not similar) nor shall any waiver constitute a continuing waiver unless expressed or otherwise provided for in writing.
- (i) Nothing contained in this Lease shall be deemed to create any relationship between the Lessor and the Lessee other than the relationship of Lessor and Lessee as to the Lands.
- (j) All references to currency in this Lease shall be deemed, unless the context otherwise requires, to be a reference to lawful money of Canada.
- (k) Except as otherwise provided herein, all calculations required or permitted under this Lease shall be made on the basis of generally accepted accounting principles in Canada (GAAP) and practices associated therewith applied on a consistent basis.

1.04 Successors and Assigns

This Lease and everything herein contained shall enure to the benefit of and be binding upon the respective successors and permitted assigns and other legal representatives, as the case may be, of each of the Lessor and the Lessee, and every reference herein to any party hereto shall include the successors, permitted assigns and other legal representatives of such party.

ARTICLE TWO

DISPOSITION OF LANDS

2.01 The Lands

In consideration of the rents, covenants and agreements herein contained on the part of the Lessee to be paid, performed, observed and complied with, the Lessor hereby grants, demises and leases unto the Lessee the Lands for and during the term specified in Section 3.01 and any renewals thereof pursuant to the provisions of this Lease.

ARTICLE THREE

TERM, TERMINATION AND SURRENDER

3.01 Original Term

The Lessee shall have and hold the Lands for and during the term of five (5) years beginning on the lease date, subject however to termination as hereinafter provided.

3.02 Additional Renewal Terms

Provided that this Lease has not previously been terminated pursuant to the terms hereof, that the Lessee is not then in material default of any of the covenants and agreements herein contained and that the Lessee has commenced Commercial Production and covenants to continue Commercial Production on the Lands, the Lessee may renew this Lease for additional terms of five (5) years each subject at all times to the covenant of continuous Commercial Production and to all terms, conditions and covenants herein contained, including termination.

3.03 Termination and Surrender

- (a) Upon the expiration or other sooner determination of this Lease, the Lessee shall surrender to the Lessor all rights to the Lands which have been granted, demised or leased herein and shall leave the Lands safe, secure and in good repair (subject to reasonable wear and tear) to the satisfaction of the Lessor and the Authorities and in accordance with all applicable laws and regulations, and shall comply with the provisions of Subsection 3.03(b) concerning both the Lands and the Improvements located thereon or thereunder.
- (b) Within a period of one (1) year after the termination of this Lease or within such period of time agreed to by the parties hereto or imposed by the applicable Authorities having jurisdiction in that regard, the Lessee shall:
 - (i) Remove all portable equipment, buildings and fixtures in accordance with all applicable regulations of the Authorities from time to time in effect. Any of the said portable equipment, buildings or fixtures not removed from the Lands at or before the expiration of one (1) year after the termination of the Lease shall, at the sole discretion of the Lessor, be deemed to have been abandoned by the Lessee, and neither the

Lessor nor any one claiming under the Lessor shall be accountable to the Lessee or any one claiming under the Lessee therefor or in connection therewith;

- (ii) Subject to the request of the Lessor, either surrender any buildings or structures on the Lands, any supports in any mine or mines, any timber or frame work necessary for the use and maintenance of shops or approaches to any mine, and any tramway within any mine, or remove or close any or all of the same to the satisfaction of the Lessor and any of the Authorities having jurisdiction in that regard;
- (iii) Safely secure or, if requested by the Lessor, close all adits, shafts, declines and other underground entries, backfill all exploration trenches or other excavations to the original grade and elevation and redistribute any piled or mounded overburden materials onto any surface stripped areas, any and all located on the Lands that were made, caused, used, revived, reopened or disturbed by the Lessee while performing, or as a consequence of, any activities or operations conducted under the terms hereof, all such work to be completed to the full satisfaction of the Lessor, acting reasonably, and any of the Authorities having jurisdiction in that regard;
- (iv) Ensure that all waste material, including, without limitation, tailings, waste rock, debris, slash, etc., that has been deposited on the Lands or other lands of the Lessor as a result of this Lease, is removed or stabilized and managed to the satisfaction of the Lessor, acting reasonably, and any of the applicable Authorities having jurisdiction in that regard; and
- (v) Take all other safety, security, closure, reclamation and rehabilitative measures required by law or regulation or the applicable Authorities upon termination of such mining and/or exploration related activities;

and should the Lessor be required to carry out any of the aforementioned work in accordance with any applicable government laws and regulations or to the satisfaction of Authorities having jurisdiction in that regard, then the Lessee shall indemnify the Lessor for any costs incurred in connection therewith.

- (c) Upon termination hereof, the Lessee shall deliver up to the Lessor two copies of all maps, plans, sections, logs, records, assay reports, exploration reports and other information (including all interpretations of the foregoing data) concerning the work carried on by the Lessee on or with respect to the Lands and not previously delivered (typewritten and suitable for photographic reproduction), and shall dispose of all diamond drill cores and samples in a manner acceptable to the Lessor and the Authorities.
- (d) The obligations of the Lessee under this Section 3.03 shall survive the termination of this Lease.
- (e) Saving and excepting this Section 3.03 and Sections 6.02, 10.02, 10.05 and 13.10 hereof, upon termination hereof, neither party shall have any further rights against or obligations to the other hereunder and, if requested, the Lessee shall forthwith deliver to the Lessor a written quit claim or release of all the rights acquired by the Lessee hereunder.

3.04 Lessee's Right to Terminate

Provided that the Lessee is not in default hereunder and after having made all rental payments (including Royalties and other sums recoverable as rent) and Work Expenditures to the date selected by the Lessee for termination, the Lessee may at any time after the third anniversary of the lease date, terminate this Lease (subject to the provisions of Section 3.03 hereof) upon giving to the Lessor six (6) months prior written notice of its intentions. Notwithstanding the foregoing, in the event that the Lessee has not met and is not prepared to meet the total Work Expenditure requirement from the lease date to the date selected by the Lessee for termination, both parties hereby agree that the Lessee shall, alternatively, pay to the Lessor on or before the date selected for termination a compensatory amount equivalent to one-half (1/2) of that portion of the said total Work Expenditure requirement which the Lessee has not met and is not prepared to meet prior to termination hereof.

ARTICLE FOUR

RENT, ROYALTY, WORK EXPENDITURES, REPORTS, RECORDS, NOTICES, INSPECTION, SURVEY, ETC.

4.01 Rent

The Lessee covenants and agrees to pay rent to the Lessor in advance on the lease date, and annually in advance on every anniversary of the lease date during the currency hereof, the amount of which shall be determined as follows:

- (a) For the first five (5) Lease Years, _____ Dollars per year;
- (b) For each Lease Year during the currency hereof that follows the fifth anniversary of the lease date, annual rent shall be the greater of:
 - (i) the annual amount stated in 4.01(a) plus the cumulative percentage increase in The Consumer Price Index For Canada (All Items) observed from the lease date to the beginning of the Lease Year for which rent is being determined; and
 - (ii) the then current annual rental amount for a lease of mining rights only as prescribed by Regulations made under the Ontario Mining Act (RSO 1990, Chap. M.14) and any amendments thereto or any applicable succeeding legislation.

4.02 Other Sums Recoverable as Rent

The Lessee will also pay as rent to the appropriate persons, firms or agencies (and for the purpose of this agreement rent shall be deemed to include) all Royalties and all taxes, rates, dues, duties and assessments whatsoever, whether federal, provincial, municipal, educational or otherwise, now charged or hereafter to be charged upon the Lands (or upon the surface rights at any time used or occupied in connection herewith) or the product thereof or the profit therefrom or upon or against the Lessor on account thereof (save and except for any and all taxes, rates, dues, charges, duties and assessments imposed on the Lessor from income, revenue or profits arising to the Lessor out of this Lease), or upon or against any person or corporation carrying on any operations thereon or thereunder.

4.03 Royalty

- (a) For all minerals produced, saved and marketed from the Lands as a result of Commercial Production or Development Work (including, without limitation, samples produced for assaying, testing or pilot plant purposes), there shall be a three (3%) percent Royalty paid to the Lessor by the Lessee subject to the exercise by the Lessee of any royalty reduction option granted by the Lessor to the Lessee in the License.
- (b) All Royalty calculations and payments shall be made in accordance with the provisions of Schedule "B" annexed hereto.

4.04 Work Expenditures

In every Lease Year, or part thereof, of the Term prior to the first Commencement Date, and subsequently at any time during the remainder of the Term when Commercial Production is not occurring on the Lands, the Lessee shall make minimum annual Work Expenditures of (\$ _____) Dollars (prorated on a daily basis, if necessary, for the purpose of determining the performance of the Lessee in the making of the said Work Expenditures for any portion of a Lease Year on Development Work on or with respect to the Lands; provided that if, at any time during the currency hereof, the Lessor shall deliver written notice to the Lessee (in accordance with Section 11.02 hereof) that there is a deficiency in the required Work Expenditures (having first credited any excess Work Expenditures from previous Lease Years), the Lessee shall have the option, to be exercised on or before the thirtieth (30th) day following the date of said notice, of paying to the Lessor within sixty (60) days of such final day an amount equal to one-half (1/2) of such deficiency in order to preserve the Lessee's rights hereunder, and thereafter shall be deemed to have fully expended the annual Work Expenditure amount for the Lease Year for which such deficiency payment was made. Failure by the Lessee to correct any such deficiency within the aforesaid period will leave the lessee subject to the provisions of Section 11.02 hereof. For greater certainty, the aforesaid Work Expenditure requirement ceases upon the Commencement Date of the first mine in Commercial Production on the Lands (elective Development Work by the Lessee notwithstanding) and resumes upon any complete cessation, whether temporary or periodic, of continuous Commercial Production on the Lands.

4.05 Abnormal Expenditures

The Lessee shall not incur any expenditures (including Work Expenditures and expenditures associated with Commercial Production) which are abnormal or unusual or not in accordance with prudent mining industry practice, and which might reduce the Royalty payable to the Lessor.

4.06 Reports

- (a) An annual work report describing in detail the nature and quantity of all Development Work carried out on the Lands during the Lease Year just completed, together with a certified, itemized statement of all associated Work Expenditures, shall be submitted by the Lessee to the Lessor within thirty (30) days of the last day of each Lease Year. Said work report shall also include a work proposal for the upcoming Lease Year.
- (b) Two copies of all geological or other Development Work reports, including maps, assay results, etc. pertaining to the Lands or any part thereof (typewritten and suitable for photographic reproduction), shall be delivered by the Lessee to the Lessor forthwith upon completion thereof by the Lessee.
- (c) The Lessee shall, on or before the first day of each and every Lease Year during the currency of this Lease, file with the Lessor two copies of accurate plans and sections of all underground workings to that date on the Lands.
- (d) All reports and other information generated hereunder and submitted or made available by the Lessee to the Lessor shall be held in confidence during the currency hereof.

4.07 Records

- (a) Proper books and records showing each of the several expenses, payments, allowances or deductions mentioned herein, and showing any and all facts and circumstances necessary or proper for ascertaining the amount of the Royalty payable shall be kept at the head office of the Lessee. Without limiting the generality of the foregoing, these books shall include proper books of account of the ore, minerals or mineral-bearing substances taken from any mine or mines developed on the Lands, detailing the quantity, weight, grade and other particulars of the same. No ore, mineral or mineral-bearing substance taken out of any mine shall be removed therefrom until the weight and grade thereof shall have been correctly ascertained and entered in the said books of account.
- (b) The Lessee shall permit the Lessor, through its agents, employees or appointees, access to said books or records at all reasonable times and upon reasonable notice to the Lessee, for the purpose of inspecting the same, and to enter upon the Lands in order to check any weights, or other things, to ascertain the true weight or value of any minerals produced from the Lands, provided that the same does not unreasonably interfere with the work or operations of the Lessee. The Lessee shall grant every reasonable assistance to the Lessor's agents, employees or appointees in this regard.
- (c) All information generated hereunder and submitted or made available by the Lessee to the Lessor shall be held in confidence during the currency hereof.

4.08 Required Notices

- (a) The Lessee shall, within ten (10) days after the commencement of operations for taking ore, minerals or mineral-bearing substances from any mine on the Lands, notify the Lessor in

writing of the fact that such mine is in active operation, and if appropriate, shall give in such notice the name of the mine, and the name, address and telephone number of the manager and operator of such mine, and the name, address and telephone number of the manager, or of some other person, to whom notices to be given under this Lease may be sent.

- (b) The Lessee shall further notify the Lessor forthwith of every change in the name and address of the person to be notified, and of every change in the management or operation of such mine, and of every discontinuance of active operations, and of every recommencement thereof after discontinuance.
- (c) The Lessee shall notify the Lessor forthwith when Commercial Production has commenced at any mine and thereafter when Commercial Production is suspended, re-commenced, etc.
- (d) The Lessee shall not ship, send, take or carry away, or permit to be shipped, sent, taken or carried away from the mine from which the same has been produced, any ore, mineral or mineral-bearing substance, or any product thereof, until it shall have notified the Lessor in writing that the mine from which the same has been taken is in active operation and that Royalties payable hereunder are forthcoming.

4.09 Inspection

Representatives of the Lessor may, at all reasonable times and upon reasonable notice to the Lessee, enter upon the Lands for the purpose of inspecting the work and operations being carried on by the Lessee, provided said representatives shall not unreasonably interfere with such work or operations of the Lessee.

4.10 Sale of Ore

The Lessee shall not sell ore, minerals or concentrates from the Lands to parties not at arm's-length with the Lessee unless the terms are no less favourable than schedules and prices under which ore, minerals or concentrates of like quantity and quality are or could be sold at the time to other arm's-length smelters, refineries or other purchasers.

4.11 Perimeter Survey

Prior to the Commencement Date of the first mine in Commercial Production on the Lands, or earlier if deemed necessary to comply with any other conditions or covenants herein, the Lessee shall, at its own expense, have the perimeter of the Lands surveyed by an Ontario Land Surveyor and provide the Lessor with two copies of all reference plans and documentation resulting therefrom in a form satisfactory for registration in the applicable Registry Office and/or Land Titles Office in the Province of Ontario.

ARTICLE FIVE

GENERAL COVENANTS

5.01 Lessee's Covenants

The Lessee covenants with the Lessor:

- (a) during the Term hereof to pay to the Lessor the rent reserved and in the manner provided in this Lease without any deduction whatsoever, except in accordance with applicable law; and
- (b) to observe and perform all the terms, covenants, provisos and obligations contained in this Lease to be performed and observed by the Lessee.

5.02 Lessor's Covenants

The Lessor covenants with the Lessee:

- (a) that the Lessee by paying the rent hereby reserved and performing the covenants herein contained, may peaceably possess and enjoy the Lands for the Term hereof, subject only to the limitations described herein; and
- (b) to observe and perform all the terms, covenants, provisos and obligations contained in this Lease to be performed and observed by the Lessor.

ARTICLE SIX

USE OF PROPERTY

6.01 Use of Property

The Lessee, his agents, servants and workmen shall, subject to the provisions hereof, have the use of the Lands, including the exclusive right to prospect, search for, dig, work, mine, procure, carry away and sell or otherwise dispose of, any and all minerals which may be found within the limits of the Lands, and to erect, make and maintain on the surface thereof, all such buildings, structures, excavations, openings, waste rock dump areas, tailing disposal facilities, ditches, drains, power lines, access roads, tramways, smelters or other improvements that shall or may be deemed necessary, reasonable and convenient for the purposes aforesaid.

6.02 Authorities, Laws, Regulations and Permits

- (a) At its sole expense, the Lessee will observe and comply with all requirements of the Authorities, including all legislation, regulations and conditions, statutory and otherwise, that may from time to time be in force and which are applicable to the use by the Lessee of the Lands or any other lands owned by the Lessor and used or occupied by the Lessee, or any activities or operations whatsoever that may be undertaken by the Lessee, its servants or agents in connection herewith, whether or not occurring on lands owned by the Lessor. The foregoing includes, without limitation, all progressive and final environmental, rehabilitation, reclamation, and closure requirements relating to exploration, development and mining activities. Where the Lessee is required to file closure plans and/or financial assurances (collectively referred to as "Closure Plans") with government regulators in accordance with the Ontario Mining Act (R.S.O. 1990, Chap. M.14), as amended from time to time, one copy of such Closure Plans, and all annual reporting requirements with respect thereto shall be furnished by the Lessee to the Lessor.
- (b) The Lessor shall not be obligated in any manner to assume any responsibility or liability that may arise in connection with the Lessee's compliance with any requirements of the Authorities referenced in (a) above, and the Lessee shall have no recourse against the Lessor under any circumstance for the costs thereof or for any damages arising therefrom.
- (c) Without limiting (a) above, such legislation includes all environmental and mining related laws and regulations, statutory and otherwise, such as the Mining Act, the Mining Tax Act, the Forest Fires Prevention Act, the Navigable Waters Protection Act (Canada), the Environmental Protection Act, the Lakes and Rivers Improvement Act and all other similar or applicable legislation and any amendments thereto or regulations thereunder which have or shall hereafter be made.
- (d) The Lessee shall obtain all necessary approvals and permits (such as work permits, fire permits, entrance permits etc.) from the Authorities prior to commencing any activities or operations so governed by the Authorities.
- (e) The obligations of this Section 6.02 shall survive expiration or termination of this Lease, particularly with respect to Section 3.03 hereof.

6.03 Exclusions

The foregoing liberties, powers and authorities granted to the Lessee shall not include any of the following:

- (a) Any right, title or claim to the surface rights in respect of the Lands other than the exclusive right to enter upon, use and occupy such parts of the surface thereof as are necessary for the purpose of carrying out Development Work or Commercial Production, whichever, to be performed on the Lands in accordance with the conditions and limitations set out herein;
- (b) The right to clear or disturb the surface of the Lands for a distance of ninety (90) meters from the high water mark of all rivers, streams, lakes and ponds without having first received written authorization from the Lessor;

- (c) The right to interfere with or damage in any way any improvements made on or to the surface rights in respect of the Lands by any legal occupant thereof, except to the extent that such right is reserved to the Lessor in any agreement, transfer, conveyance, license or lease and is subsequently conferred upon the Lessee by way of written authorization from the Lessor;
- (d) The right to block or damage in any manner any roads, bridges, culverts or driveways located wherever or whenever on, or used as access to, through or beyond the Lands. All repairs or improvements arising from the use of the aforesaid roads, etc. by the Lessee shall be at the sole risk and expense of the Lessee;
- (e) The right to deposit, dump, leave or abandon any waste materials, including debris, slash, lubricants, fuel, litter, rubbish, etc. on the Lands or the surface thereof or on any other lands of the Lessor without the advance written approval of the Lessor and all applicable Authorities;
- (f) The right to any deposits of soil, sand, gravel or other unconsolidated aggregate or pit materials on the Lands except to the extent necessary for the purpose of conducting efficient Development Work or Commercial Production on the Lands;
- (g) The right to cut down, damage or destroy any standing trees or other vegetation on the lands or on any other lands owned by the Lessor without prior written authorization having first been obtained from the Lessor. Notwithstanding the foregoing the lessor thereby authorizes the Lessee to clear such trees and other vegetation as may be necessary and reasonable to carry out Development Work or Commercial Production, provided that at all times the Lessor is advised beforehand with respect to any such trees that may be of merchantable quality. Any clearing of trees or other vegetation, whatsoever, is subject at all times to:
 - (i) The first right of the Lessor, or any third party authorized by the Lessor, to harvest any and all merchantable timber located on the Lands;
 - (ii) the Lessee paying stumpage to the Lessor at the rate of \$75 per cubic meter for all merchantable timber harvested by the Lessee, its servants or agents. All such merchantable timber shall be downpiled in a manner and location that is acceptable to the Lessor for scaling purposes prior to removal or disposal of the said merchantable timber; and
 - (iii) the Lessee removing, chipping or otherwise disposing of all logs, tops, branches and other tree or woody materials ("tree slash") greater than four (4") inches in diameter resulting from authorized clearing activities. All other tree slash can be left on the surface of the Lands provided it has been slashed down and trampled to within one (1') foot of the surface of the ground. Mounding or windrowing of tree slash or other vegetative or organic debris generated by such clearing is not permitted on the Lands, and the Lessee will not apply herbicides or employ burning techniques in the control of vegetation or the reduction of slash or other organic debris without having first obtained written authorization from the Lessor and the applicable Authorities having jurisdiction thereover.

- (h) The right to use of the Lands for any and all such works as may be necessary for the development of water power or the development, transmission and distribution of electrical power, including the construction, maintenance and operation of roads, transmission lines and stations, flumes, pipelines, dams, power houses and associated works and structures; and
- (i) The right to lay out or permit the laying out of any temporary or permanent residential facilities on the Lands until and unless the Lessee shall have first acquired the surface rights therefor from the Lessor and all requisite approvals from the Authorities.

6.04 Reservations

This Lease is made subject to the reservations, limitations, provisos and conditions expressed in the original grant from the Crown, and to a profit a prendre respecting fauna rights to the Crown, and to the provisions of any of the Authorities and/or legislation having jurisdiction or application during the currency hereof, all of the foregoing to the extent applicable with respect to the Lands, and without limiting the reservations conversely implied or intended by the enumeration of specific rights and privileges granted hereunder to the Lessee, the Lessor hereby also reserves unto itself, its duly authorized agents and representatives:

- (a) And its servants, lessees, licensees and other parties authorized by the Lessor, the full use and enjoyment of the surface rights in respect of the Lands provided that any such use does not unduly interfere with the rights of the Lessee specified herein;
- (b) The right from time to time and at any time to enter into agreements, leases or licenses with third parties that authorize said third parties to use or occupy the surface rights of part or parts of the Lands provided that any such authorizations or conveyances of a legal interest in the surface rights do not unduly interfere with Development Work or Commercial Production, whichever, then in continuous operation thereon, or with any permitted Improvements previously erected or made by the Lessee on the Lands, or unreasonably detract from any other rights or privileges of the Lessee granted herein;
- (c) The right to lay out, construct, maintain and use roads for any purpose over the surface of the Lands at such locations as the Lessor, in its sole discretion, deems necessary and appropriate acting reasonably;
- (d) The rights to all soil, sand, gravel and other unconsolidated aggregate or pit materials, together with the right to enter upon the surface of the Lands and remove the same or authorize third parties to do so; and
- (e) The right from time to time and at any time to sell or transfer any part or all of the Lands, or assign this Lease, without the consent of, and without notice to the Lessee, and in the event of any such sale, transfer or assignment, such purchaser or assignee shall be required to assume the covenants and obligations of the Lessor hereunder, and the Lessor shall, without further written agreement, be freed and relieved of liability upon such covenants and obligations.

6.05 Access

Saving and excepting the Lessor's covenant that it will not do or permit any act, either directly or indirectly, to impair, hinder, restrict or adversely affect the Lessee's access to, from, on or across the Lands or other lands under the control of the Lessor, the Lessor does not warrant continuation, adequacy, maintenance or safety of any new or existing access to, from, on or across the Lands and any such access shall be at the sole risk and expense of the Lessee, its servants and agents. If it is necessary to cross other lands of the Lessor for ingress to or egress from the Lands, the way used therefor shall be that which has been used as or designated by the Lessor as common or public access or, otherwise, that which has been approved in writing in advance by the Lessor acting reasonably and, in any such event, the Lessee hereby agrees to repair any damage to any access that has been caused by the Lessee or its servants or agents.

6.06 Liens

- (a) The Lessee shall pay all accounts for labour done by the Lessee or on its behalf on the Lands and for all buildings, plant, equipment and other supplies supplied to the Lessee or with its authority for use in connection with the Lands and the Lessee will not permit any lien, whether arising through common law or under the provision of any statute (including liens for labor or materials under the Construction Lien Act or similar legislation), to be or remain registered against the Lands in respect of any work performed on or for any materials supplied to or for the Lessee upon or in respect of the Lands or any operation carried out thereon or thereunder; and
- (b) Notwithstanding the foregoing, in the event the Lessor becomes obliged to pay any such lien or any cost in connection therewith, the Lessor may treat any amount so paid as rent due hereunder and shall be entitled to all the remedies herein or by law provided for the collection of rent hereunder, but this clause shall not be construed as meaning or implying that such lien may be registered against the interests of the Lessor in the Lands.

ARTICLE SEVEN

RULES RESPECTING THE OPERATION OF MINES

7.01 Compliance with Authorities

The Lessee shall observe in working the mines and minerals all statutory provisions and lawful orders made by the Authorities relating to the working of mines and the getting of minerals, including, without limitation, monitoring, reporting, maintenance, safety, security, closure, reclamation and rehabilitative measures required by law or regulation to be performed progressively during operations and during periods of inactivity or temporary suspension of operations, and shall also conform with any and all reasonable regulations of the Lessor in this regard which are in accordance with acceptable industry practices.

7.02 Structural Standard

The Lessee shall work and keep the mines in a skillful and workmanlike manner according to the most generally approved practice for the time being adopted in similar mines in the Province of Ontario, and leave sufficient support for the surface of the Lands and adjoining or neighbouring lands, and for any buildings, works, operations and improvements thereon. Provided that the Lessee may let down the surface above any underground mine workings upon obtaining the prior written consent of the Lessor, which consent shall not be unreasonably withheld or delayed, and any of the Authorities having jurisdiction thereover.

7.03 Environmental Standard

The Lessee shall conform to all environmental standards in effect from time to time as established by the Authorities and conduct all mining or other operations on the Lands in such a manner as not to interfere with the quiet enjoyment of adjoining or neighbouring lands by the respective owners and occupiers of such lands. Upon conclusion of any mining or advanced exploration operations on the Lands, the Lessee shall rehabilitate, reclaim and restore the Lands in accordance with all applicable government legislation in this regard and shall, from time to time, post all bonds and security required by the Authorities.

7.04 Compensation

The Lessee shall make compensation and satisfaction to the Lessor and to other owners or owner, occupiers or occupier for the time being of the Lands or the surface rights or any part thereof upon, over or in relation to which the liberties, powers and authorities hereby granted are hereby expressed to be made exercisable and to the owners or owner, occupiers or occupier of all other lands and grounds for any damage or injury which shall be done or occasioned by the exercise of the said liberties or powers upon transportation corridors, bridges or other works or erections now erected or made or to be hereafter erected or made, or upon any such lands or to any trees, fruit trees, bushes, shrubbery, vestures or crops standing or growing thereon or to any rivers, streams and watercourses or otherwise, and whether such damage shall have been occasioned by pit banks, tailing disposal, rubbish heaps, roads, creeks, shrinkings, smoke or vapour, or otherwise. Without limiting the generality of the foregoing, howsoever the Lessor or such owners or owner, occupiers or occupier respectively shall or may be lawfully entitled

to compensation in respect of such damage or injury, this provision shall be applicable to any damage or injury occasioned by letting down the surface whether or not the Lessee shall have obtained the Lessor's consent in writing therefor.

ARTICLE EIGHT

ASSIGNING AND SUBLETTING

8.01 Assigning and Subletting

- (a) The Lessee will not assign or sublet any rights under this Lease or any portion of the Lands without the prior written consent of the Lessor, which consent shall not be unreasonably withheld or delayed.
- (b) At any time or times the Lessor may consent to assignment or subletting of this Lease in accordance with (a) above, the then current annual rent as provided in Subsection 4.01 (a) hereof shall be increased by fifty (50%) percent effective as of the date of such assignment or subletting of this Lease, and such increased rent shall serve as the basis for subsequent rents calculated in accordance with Subsection 4.01 (b) hereof.
- (c) Notwithstanding (a) above, the Lessee shall be permitted to assign this Lease without the prior written consent of the Lessor if the assignee is a subsidiary, associated or affiliated company of the Lessee, or any corporation formed as a result of merger or amalgamation with the Lessee and, in the event of such permitted assignment without leave, (b) above shall not apply.

8.02 Assumption of Obligations

Any assignment or subletting of this Lease pursuant to Section 8.01 shall not operate to release the Lessee from any and all of its obligations hereunder.

ARTICLE NINE

MORTGAGING

9.01 Lessee's Right to Mortgage Leasehold

The Lessee may at any time and from time to time without the consent of the Lessor encumber (which expression includes any mortgage, pledge or charge) this Lease and its interest in the Lands hereby created, provided that:

- (a) No encumbrance so made by the Lessee shall affect or purport to affect the interest of the Lessor or any mortgagee of the Lessor's interest in the Lands, or of any other party that has previously registered an interest in the Lands on the title thereto; and
- (b) Each encumbrancer shall covenant and agree with the Lessor to be bound by the obligations of the Lessee under this Lease in the event that such encumbrancer shall foreclose or otherwise take possession of the Lands pursuant to this encumbrance, if and so long as such possession is taken and retained by such encumbrancer, and that if it shall exercise any power of sale under its encumbrance it shall require the purchaser to assume the obligations of the Lessee under this Lease and to keep and perform or cause to be kept and performed all the covenants and conditions contained in this Lease on the Lessee's part to be kept and performed;

and the Lessee covenants with the Lessor to comply with all the obligations under every such encumbrance and to keep it in good standing at all times until discharged.

9.02 Protection of Leasehold Mortgages

The Lessor agrees, for the benefit of encumbrancers from time to time of the Lessee's leasehold interest whose encumbrances comply with Section 9.01, and of whose encumbrances written notice shall have been given to the Lessor, that:

- (a) The Lessor shall not exercise any of its rights or remedies against the Lessee consequent upon any default or non-performance by the Lessee of any of its obligations under this Lease unless, and it shall be a condition precedent to any such exercise that:
 - (i) the Lessor shall have given to each such encumbrancer written notice specifying such default or non-performance; and
 - (ii) in the case of any non-payment of rent or other money payment if the same shall not have been made within a period of thirty (30) days after the giving of such notice, and in the case of any other breach or non-performance the same shall not have been remedied within a period after giving of such notice which is the greater of thirty (30) days or such longer time as would have reasonably sufficed for the remedying of such default or non-performance if the encumbrancer commenced to remedy the same within thirty (30) days and thereafter proceeded to remedy the same with reasonable diligence;

but the foregoing provision extending to such encumbrancers an opportunity to remedy or cause to be remedied any default or non-performance after notice shall not apply to any event of default specified in Subsections 11.02(a), (b) and (c).

- (b) If the Lessor shall become entitled to and shall terminate this Lease on account of any breach or non-performance or event of default by the Lessee, by re-entry, forfeiture or otherwise, the Lessor shall give written notice to every such encumbrancer promptly upon any termination of this Lease being effected accompanied by particulars of the nature and extent of the default or event of default which brought about termination, and the Lessor agrees that upon the request of any such encumbrancer, if such request is made in writing within sixty (60) days after the giving of the above-mentioned notice by the Lessor, grant to such encumbrancer or the nominee of such encumbrancer (or, if more than one such encumbrancer shall make such a request, grant to whichever of such encumbrancers has priority as between the encumbrancers making such request by virtue of having the most senior encumbrance) a new lease of the Lands between the Lessor as lessor and such encumbrancer or the nominee of such encumbrancer as lessee for a term equal in duration to the then remaining residue of the Term, at the same rent and otherwise upon the same terms and including the same covenants and conditions as are contained in this Lease, provided, however, that the obligation of the Lessor to grant such new lease is conditional upon the proposed new lessee having first cured the event or events of default which brought about termination of this Lease and the Lessor being paid all monies which would have been lawfully due and owing under the forfeited Lease to the date of the new lease.
- (c) The provisions of this Section 9.02 shall be enforceable by every encumbrancer intended to be benefited thereby, notwithstanding that such encumbrancer is not a party to this Lease, and whenever requested by the Lessee or any encumbrancer intended to be benefited by the provisions of this Section 9.02 the Lessor will enter into an agreement directly with such encumbrancer on the terms of this Section 9.02; and the Lessee hereby agrees to be responsible for any of the Lessor's legal expenses arising directly from such requests.

9.03 Subordination of Lessee's Interest to Certain Mortgagees of the Lessor

- (a) If and whenever required by the Lessor, the Lessee will, by instrument appropriate to accomplish such purpose (including by joining in or granting a mortgage where appropriate), subordinate its interest in the Lands under this Lease to any mortgage (which expression includes a mortgage, pledge or charge) or mortgages made by the Lessor of its interest in the Lands, either in whole or in part, and whether or not such mortgage or mortgages affect only the Lands or shall be a blanket mortgage affecting other lands as well.
- (b) A subordination of the interest of the Lessee under this Lease to an encumbrancer as contemplated by Subsection 9.03(a) shall, without limitation, confer upon such encumbrancer all of the rights and privileges of the Lessor under this Lease and no more and provided the Lessee performs all of its duties, obligations and commitments hereunder as herein provided then such encumbrancer shall be bound by the terms hereof as Lessor.

ARTICLE TEN

INSURANCE AND INDEMNIFICATION

10.01 Insurance on Improvements

- (a) The Lessee covenants and agrees with the Lessor to maintain or cause to be maintained after the lease date and thereafter during the Term, insurance in respect of such of the Improvements as consist of buildings or other fixed improvements which are normally insured by prudent owners to ninety (90%) percent of their full replacement cost (subject to a deductible that is reasonable within the mining industry) and in any event to their full insurable value, in respect of fire and such other casualties as are insured against by the standard form of extended coverage endorsement to fire policies available, and in respect of any other insurable hazards for which insurance is commonly carried upon other buildings and fixed improvements of a character and occupancy similar to such insured Improvements, in each case with insurers of recognized responsibility. Section 10.04 applies hereto.
- (b) The insurance referred to in Subsection 10.01(a) shall provide coverage for the Lessor and the Lessee. The proceeds of all fire damage and other property damage insurance shall be made available for repair and rebuilding in the manner mutually agreed upon by the parties hereto.
- (c) The Lessee releases the Lessor from all liability for loss or damage with respect to any loss or damage required to be so insured by the Lessee and agrees that neither the Lessee nor its insurers by subrogation shall have any claim against the Lessor with respect thereto.

10.02 Liability Insurance

The Lessee covenants and agrees with the Lessor to maintain or cause to be maintained from the lease date and thereafter during the Term, and during the period required to fulfill the obligations set out in Subsection 3.03 (b) hereof, comprehensive public liability insurance in respect of personal injury, death, loss or damage of or to the person or property of third parties, with insurers of recognized responsibility, in respect of risks which are normally insured against by prudent owners or operators of ventures similar to those from time to time conducted by the Lessee on the Lands, and in amounts which represent reasonable protection in respect of the risks insured, having regard to the nature and extent of such risks and other relevant circumstances and in particular to the amount of coverage relative to risk normally effected by prudent owners or operators of ventures similar to those conducted by the Lessee on the Lands. The Lessor will be a named insured in the said liability insurance policy or policies and the Lessee shall obtain undertakings from all insurers to this effect. Section 10.04 applies hereto.

10.03 Third Party Indemnification

The Lessee shall arrange with its insurer to provide a third party indemnification under the Lessee's policy or policies for the benefit of the Lessor. Section 10.04 applies hereto.

10.04 Certificates and Cancellation of Insurance

With respect to Sections 10.01, 10.02 and 10.03 above, none of the required insurance policies shall be cancelled or allowed to lapse unless at least thirty (30) days advance written notice is given to the

Lessor, and the Lessee shall obtain undertakings from all insurers to this effect. The Lessee shall furnish the Lessor with evidential certificates of the required insurance(s) and associated undertakings from the Lessee's insurer(s) within thirty (30) days of the lease date.

10.05 Indemnification

Except to the extent attributable to the negligence of the Lessor, the Lessee agrees to indemnify and save harmless the Lessor of and from any and all manner of claims, demands, losses, costs, damages, expenses, actions, or other proceedings, whenever and howsoever arising, including those concerning any environmental liability, those arising under the Occupiers' Liability Act and those for compensation under the Workers' Compensation Act or any similar Act, whatsoever, made or brought against, suffered by, or imposed upon the Lessor or its property, agents, employees, or any other person, firm or corporation in respect of any injury, death, loss or damage of or to any person or property (including, without limiting the generality of the foregoing, servants, agents, invitees, permittees, licensees, lessees and property of the Lessor and the Lessee) directly or indirectly arising out of, resulting from or sustained by reason of the Lessee's occupancy or use of the Lands and any buildings, fixtures or chattels thereon, or the Lessee's use of other lands whether or not owned by the Lessor, for any purpose whatsoever, including ingress to or egress from the Lands or any activity or operation connected with this Lease, or any breach or non-performance by the Lessee of its covenants and obligations under this Lease; it being acknowledged and agreed by the Lessee that its liability to the Lessor under this Section shall survive expiration or other termination of this Lease.

ARTICLE ELEVEN

REMEDIES AND DEFAULTS

11.01 Unavoidable Delays (Force Majeure)

If either party shall be prevented or delayed from performing any of the obligations on its part to be performed hereunder (other than payment of rent and other sums recoverable as rent) by reason of any act of nature, strike or threat of strike, fire, flood, interruption or delay in transportation, war, insurrection or mob violence, requirement or regulation of government, environmental obstruction, plant breakdown, or any other disabling cause, without regard to the foregoing enumeration, beyond the control of such party (but excluding lack of finances) or which cannot be overcome by the means normally employed in performance and at comparable expense, then and in such event any such failure to perform shall not be deemed a breach of this Lease and performance of the aforesaid obligations shall be suspended during such period of disability and all rights of such party and the time for performance of such obligations shall be extended for a period equal to the period or periods of such disability. Any party hereto claiming suspension of its obligations as aforesaid will promptly notify the other party to that effect and will take all reasonable steps to remove or remedy the cause and effect of the force majeure described in the said notice insofar as it is reasonably able to do so and as soon as possible; provided that the terms of settlement of any labour disturbance or dispute, strike, or lockout will be wholly in the discretion of the party claiming suspension of its obligations by reason thereof; and that party will not be required to accede to the demands of third parties in any such labour disturbance or dispute, strike or lockout solely to remedy or remove the force majeure thereby constituted.

11.02 Events of Default

It shall be an event of default entitling the Lessor, in addition to any other rights or remedies it may have, at its option to re-enter the Lands and/or terminate this Lease if:

- (a) The Lands are used by the Lessee, its servants or agents for purposes other than Development Work or Commercial Production;
- (b) The Lessee shall be wound up, its charter forfeited or surrendered or its corporate existence terminated unless in conjunction with a corporate reorganization in which a successor corporation will succeed to its obligations;
- (c) The Lessee shall make an assignment for the benefit of creditors which includes its rights under this Lease, or a receiving order shall be made against its assets including its rights under this Lease, or it shall be declared bankrupt, unless within ninety (90) days of the making thereof the Lessee takes prompt action to cancel, annul or set aside the assignment, receiving order or bankruptcy, and the same shall actually be cancelled, annulled or set aside, or, with the approval of the Lessor, the assignee, receiver or trustee in bankruptcy shall confirm this Lease;
- (d) The Lessee allows any rent, Royalties, taxes, rates, dues or assessments, or any part thereof, which are reserved and covenanted to be paid by the Lessee to remain unpaid for two (2) months after notice detailing such payment default has been delivered to the Lessee; or
- (e) Any covenant herein contained shall not be performed or observed by the Lessee;

provided any such default has not been fully rectified by the Lessee within thirty (30) days of written notice regarding the same having been given to the Lessee by the Lessor. It being understood that if there is a dispute between the parties as to whether such a default has in fact occurred, the parties shall submit such dispute to arbitration pursuant to Section 12.01 hereof.

11.03 Acceleration and Re-Entry Upon Default

Should an event of default occur, rent and other sums recoverable as rent for the current year, and the accelerated rent for the next ensuing year shall immediately become due and payable and the remaining Term of the Lease shall, at the option of the Lessor, forthwith become forfeited and determined and it shall be lawful for the Lessor at any time thereafter to re-enter upon the Lands or any part thereof and to repossess and enjoy all of its former rights, interests and estate in, on or upon the Lands.

11.04 Lessor's Right to Cure Defaults

Without limiting any other remedies the Lessor may have arising out of this Lease or at law and not otherwise limited by any provision of this Lease in respect of any default in the performance of the Lessee's obligations under this Lease, the Lessor shall have the right, in the case of any default which has not been remedied by the Lessee within any period specifically allowed within this Lease or agreed to by the parties, and without any re-entry or termination of this Lease, to enter upon the Lands and any of the Improvements and cure or attempt to cure such default (but this shall not obligate the Lessor to cure or attempt to cure any such default or, after having commenced to cure or attempt to cure such default, from ceasing to do so) and any expenses incurred by the Lessor in so doing the same shall be forthwith recoverable as rent from the Lessee.

11.05 Lessor's Right to Cure Payment Defaults

It is hereby expressly agreed, that in the event of non-payment by the Lessee of any taxes, rates, dues or assessments, the Lessor may, at its option, pay the said taxes, rates, dues or assessments, in which case the amount so paid shall be payable by the Lessee to the Lessor and in the event of any such taxes, rates, dues or assessments remaining unpaid at the expiration or sooner determination of this Lease, the amount of the same shall be payable by the Lessee to the Lessor whether or not the Lessor shall have paid the same, and in every such case shall be deemed to be rent accrued, due and owing to the Lessor, and the Lessor shall have the right to collect the same in the same manner as rent hereby reserved.

11.06 Lessor's Rights to Seize and Distrain

It is hereby expressly agreed that if the said rent or any part thereof shall be in arrears for three (3) months and the same shall not be paid when demanded by a notice in writing signed by the Lessor or its agent and served by the Lessor on the Lessee, then, and in such case it shall be lawful for the Lessor, in addition to any other rights or remedies it may have, to stop the working and vending of the minerals and the vending of any other minerals worked and carried away or made workable by virtue of the powers herein contained or any of them and to seize and distrain all minerals which have been worked or brought to the surface of such lands and to seize and distrain all goods, chattels, plant, machinery, equipment and fixtures of the Lessee and such distress and distresses then and there found to take, keep, lead and carry away and sell and dispose of in order to pay and satisfy the said rent or any part thereof which shall be so in arrears and also the reasonable costs and expenses of such distress and distresses and sale or sales rendering the surplus, if any, to the Lessee.

11.07 Right to Seize Not Limited to the Lands

The Lessee further agrees that if the Lessee leaves the Lands leaving any rent or any part thereof owing to the Lessor under this Lease unpaid, the Lessor, in addition to any remedy otherwise

provided by law, may seize and sell the goods and chattels of the Lessee, at any place to which the Lessee or any other person may have removed them, in the same manner and to the same extent as if such goods and chattels had remained and been distrained upon the Lands.

ARTICLE TWELVE

ARBITRATION

12.01 Arbitration Procedure

The parties agree, subject to the requirement that the arbitrator be a person familiar with the mining industry in Ontario and independent of either party, that any dispute arising between them shall be resolved by arbitration under the provisions of the Arbitration Act (Ontario), 1991, as amended, and that the procedure to be followed at any such arbitration shall be based as closely as may be on the Model Rules of the Arbitration and Mediation Institute of Ontario.

ARTICLE THIRTEEN

MISCELLANEOUS

13.01 Certificates

The Lessor and the Lessee each agree at any time and from time to time so long as this Lease shall remain in effect, upon not less than thirty (30) days prior request by the other party, to execute and deliver to the other party a statement in writing certifying whether this Lease is modified or unmodified (and if modified, stating the modifications), whether this lease is in full force and effect, the date to which the rent and any other amounts payable by the Lessee to the Lessor have been paid and whether the party giving such statement knows of any default by the other party (and if so, stating the default); it being intended that any such statement delivered pursuant to this Section may be relied upon by any third party.

13.02 Notices

(a) Any notice required or permitted to be given by the provisions of this Lease by either party to the other shall be deemed sufficiently given if signed by or on behalf of the party giving such notice and delivered or mailed to each of them at:

(i) in the case of the Lessor, to it at:

**Michipicoten Falls Forest Resources
c/o FACTS Ltd.
714 Finn's Bay Road
Echo Bay, Ontario
P0S 1C0
Attention: Ian Frazier**

**Phone: (705) 248-3378
Fax: (705) 248-1139**

(ii) in the case of the Lessee, to it at:

**Hudson River Minerals Ltd
130 Adelaide Street West
Suite 2800
Toronto, Ontario
M5H 3P5**

Attention: Stephen Balch

**Phone: 416-364-5371
Fax: 416-366-8571**

(b) Such notice shall be deemed to have been personally served when delivered or on the sixth business day after such notice is deposited in the mail or registered by a courier or twenty-four (24) hours after being transmitted by fax, as the case may be. Each of the Lessor and the Lessee may by notice in writing to the other from time to time designate any other address to which notices to it may be sent.

13.03 Creation of Easements

The parties shall execute or join in documents appropriate to subordinate and subject their respective interest in the Lands to easements, rights-of-way and like interests which may be necessary or expedient to grant from time to time to any municipal or other public authority or public utility for any public or quasi-public purpose or in order to secure services or other privileges or advantages benefitting

the Lands and which do not substantially impair the value of the Lands or unreasonably impede or prevent any material operations performed in accordance with this Lease.

13.04 Planning Act

The Lessor and Lessee acknowledge that this Lease may be subject to Section 50 of the Planning Act of Ontario (RSO 1990, Chap. P. 13). Any consents required from the appropriate Municipal and Provincial authorities shall be the responsibility of and at the cost of the Lessee. However any such application for consent shall be provided all necessary assistance and co-operation by the Lessor, including the granting to the Lessee of written authority to bring the application for and on behalf of the Lessor. In the event such consents are ultimately and finally refused, this indenture shall not be void or voidable but shall be deemed to be an indenture of lease for a term of five (5) years with three (3) options for renewal, each upon the terms and conditions as herein set out, the first being for a first renewal period of five (5) years, the second being for a second renewal period of five (5) years and the third being for a third and final renewal period of five (5) years.

13.05 Interest on Payments

All payments which are required or permitted to be made by one party to the other pursuant to this Lease shall bear interest in default or arrears in an amount equal to five (5%) percent per annum plus the Prime Rate.

13.06 Time

Time shall strictly be of the essence of this Lease, and the extension of the time for any payment or performance of any covenant herein shall not be deemed a waiver of the condition that time shall be strictly of the essence of this Lease in respect of all other payments or covenants.

13.07 If More than One Lessee

In the event that, pursuant to Article Eight hereof, there is more than one Lessee, each Lessee shall be bound to perform and observe each and every term, covenant and condition herein contained, and all covenants shall be deemed to be made jointly and severally by such Lessees.

13.08 All Rights Cumulative

All rights, powers and remedies contained in this Lease may be exercised from time to time, and all powers, rights and remedies of either party hereto shall be cumulative and shall not exclude any other powers, rights or remedies given by law. Nothing in any clause, covenant, term or condition contained in this Lease shall in any manner abridge or restrict any rights or powers given by any other such clause, covenant, term or condition except where the context necessarily so requires, nor shall any rights or powers be given by implication from the inclusion herein of any such clause, covenant, term or condition.

13.09 Disclosures

During the currency hereof, neither party hereto will disclose to any person, firm or corporation any information with respect to this Lease or the other party without first having obtained the

written consent of the other party to such disclosure; provided that the publication or furnishing of any such information when required by law or the rules or regulations of any stock exchange, governmental agency or other regulatory authority shall not constitute breach of such confidence.

13.10 Title

The Lessee will not register this Lease in this form or any part thereof against the title of the Lands and will not deposit or file a copy of this Lease or any part thereof in any Registry Office, Land Titles Office or with the Registrar General of Canada. The Lessee may however register a notice of this Lease and/or a plan of survey associated therewith with the Registry Office, Land Titles Office or with the Registrar General of Canada but not without having first received written authorization from the Lessor to do so, which authorization shall not be unreasonably withheld or delayed. The Lessee agrees that within sixty (60) days following expiration or termination of this agreement, any registered notice of this Lease so authorized above shall be fully removed or discharged from the title of the Lands by the Lessee. Any expenses associated with the foregoing shall be the sole responsibility of the Lessee.

13.11 Further Assurances

The parties hereto and each of them shall and will at all times and from time to time hereafter and upon every reasonable written request to do so, make, do, execute, deliver or cause to be made, done, executed and delivered all such further acts, deeds, assurances and things as may be required for more effectually implementing and carrying out the true intent and meaning of this Lease.

IN WITNESS WHEREOF the Lessor and the Lessee have executed this Lease attested by their respective proper signing officers duly authorized in that behalf as of the lease date.

3011650 NOVA SCOTIA LIMITED

By: _____
Vaughn Stough - President c/s

Hudson River Minerals Ltd

By: _____
Stephen Balch – President, CEO c/s

I/We have authority to bind the Corporation.

Schedule "A"

To the Mining Lease

Dated as of _____

MAP OF THE LANDS

Plan A-1 - Index plan showing general location of the Lands

Plan A-2 - Township of _____

Schedule "B"

To the Mining Lease

Dated as of _____

ROYALTY

1. For all diamonds, gems and other precious and semi-precious stones ("Stone Products") mined or produced from the Lands, the Lessee shall pay to the Lessor a Royalty equal to a percentage of the net sales returns ("NSAR") realized from the sale or disposition of the Stone Products.
2. For all gold, silver, platinum and palladium ("GSPP Products") and all other ores and minerals ("Other Products") mined or produced from the Lands, the Lessee shall pay to the Lessor a Royalty equal to a percentage of the net smelter returns ("NSMR") realized or deemed to be realized as hereinafter provided, from the sale or disposition of the GSPP Products and Other Products.
3. The aforementioned percentage of the NSAR and percentage of the NSMR shall be that determined in accordance with the provisions of Section 4.03 of the Lease to which this Schedule "B" forms a part; and in the calculation of Royalty, said percentage is applied to 100% of the NSAR or NSMR, whichever, regardless of any dilution of the Lessee's working interest or entitlement with respect to this Lease, the Lands or the Products.
4. For the purposes of this Schedule "B", the term "Products" shall be interpreted as a collective reference to Stone Products, GSPP Products and Other Products and the term "Royalty" shall be interpreted as a collective reference to the NSAR Royalty and the NSMR Royalty.
5. **Net Sales Returns Royalty - Stone Products**
 - (a) Net sales returns means the gross proceeds from the sale or disposition of Stone Products to an independent purchaser, less deductions therefrom for the costs of valuation, sorting, shipping and insurance in connection with the Stone Products as well as any sales, excise, production, export and other duties, levies, assessments and taxes (except income taxes) payable on the production or sale of Stone Products (but not income taxes), and for the purposes hereof:
 - (i) "valuation" means the establishing of a value for each lot or group of sorted Stone Products for purposes of reference when negotiating with a potential purchaser of the same;
 - (ii) "sorting" means separation of Stone Products from waste materials and dividing them into groups according to quality, size, or other characteristics, and then the dividing of such groups into appropriate lots or groups for valuing and/or sale, it being

acknowledged that in the case of gem quality Stone Products, a group or lot may be a single stone;

- (iii) "shipping" means all methods of transportation or places of storage of Stone Products from the moment they leave the Lands until the passing of title thereto or risks therefor (whichever is the later) to an independent purchaser, including, without limitation, any cost that may be incurred by reason of such methods or places used or any sorting or valuation facilities being situated off the Lands; and
 - (iv) "insurance" means all insurance that the Lessee considers advisable to protect all or part of the Stone Products in the possession or control of the Lessee (including, without limitation, during shipping) until the passing of title thereto or risks therefor (whichever is the later) and including, without limitation, the insurance or bonding of any person who does or may come into contact with any such Stone Products at any point during the operations of the Lessee whether such person is an employee of the Lessee or otherwise.
- (b) If Stone Products are sold to any entity with which the Lessee does not deal at arm's length, the Stone Products shall for the purposes hereof be deemed to have been sold at prices determined by an independent evaluator.
 - (c) The Lessee shall not have the right to commingle Stone Products produced from the Lands with similar products produced from other properties.

6. Net Smelter Returns Royalty - GSPP Products and Other Products

- (a) Net smelter returns means the gross proceeds from the sale or disposition of Other Products to an independent smelter, refinery or other unaffiliated purchaser or, with respect to GSPP Products, the deemed gross proceeds from deemed sales or dispositions as provided in paragraphs 6(b) and 6(c) following, less deductions therefrom for total actual costs incurred by the Lessee attributed to the following treatment, handling and sale of said GSPP Products or Other Products:
 - i) All smelting, refining, treatment, assay, umpiring, sampling, selling and other costs, charges and penalties charged by any independent refinery, smelter or other unaffiliated purchaser of GSPP Products or Other Products;
 - ii) All costs of loading, securing, transporting and insuring GSPP Products or Other Products from the Lands to any independent refinery, smelter or other unaffiliated purchaser; and
 - iii) All sales, excise, production, export and other duties, levies, assessments and taxes (except income taxes) paid on the production or sale of GSPP Products or Other Products .
- (b) The gross sale proceeds for GSPP Products shall be deemed gross proceeds from deemed sales of GSPP Products, and sales of GSPP Products shall be deemed to have occurred, without regard to when or to whom they actually are made, upon the earliest of the following:

- (i) With respect to bullion produced by the Lessee, the day the final, refined bullion has been produced by the Lessee; or
- (ii) With respect to dore produced by the Lessee, three (3) business days after the ore has been produced by the Lessee; or
- (iii) Thirty days after GSPP Products, including concentrates, are shipped by the Lessee from the Lands to an independent refinery, smelter or other unaffiliated purchaser.

If necessary, at the end of each fiscal year a final determination shall be made for the deemed sale of any GSPP Products to account for any deductions permitted under paragraph 6(a) which may not have been known at the time of the deemed sale. Any such adjustment required by such final determination shall be made to the following quarterly payment.

- (c) The total deemed gross proceeds of all such deemed sales occurring within a single calendar quarter shall be determined by multiplying the total number of troy ounces of the particular GSPP Product deemed sold within that quarter by the following:
 - (i) For gold, platinum or palladium, the arithmetic mean of the daily London P.M. fixing (per ounce of the respective Product) for the quarter.
 - (ii) For silver, the arithmetic mean of the weekly Handy & Harman base price per troy ounce as quoted in Metals Week for the weeks which conclude within that quarter, but in the event Metals Week is not published or if for any other reason such quotation is not available, the arithmetic mean of the daily Handy & Harman base price quote as published in the Wall Street Journal for the quarter will be utilized.
- (d) If smelting, refining, treatment, assay or sampling of GSPP Products or Other Products is performed by facilities owned or controlled by the Lessee or any of its affiliates, all charges, costs and penalties therefor to be deducted pursuant to the foregoing paragraph shall be equal to and not exceed actual costs incurred by the Lessee in carrying out such processes and shall not exceed such amounts which the Lessee would have incurred if such operations were conducted at facilities operating at arm's length to the Lessee, and which were then offering comparable services for comparable quantities and quality of GSPP Products or Other Products.
- (e) The Lessee shall have the right to commingle GSPP Products or Other Products produced from the Lands with ores and minerals produced from other properties. Before commingling, GSPP Products or Other Products from the Lands shall be weighed, sampled, assayed, measured or gauged by the Lessee in accordance with sound mining and metallurgical practices for moisture, penalty substances and payable content. Records shall be kept by the Lessee for a reasonable time showing weights, moisture and assays of payable content. Prior to commingling, the Lessee shall give thirty (30) days notice to the Lessor specifying its decision to commingle and outlining the procedures it proposes to follow.

7. **General**

- (a) Royalties shall accrue at the time of sale or deemed sale, as applicable, and they shall become due and payable in cash on a calendar quarter basis, on the twentieth (20th) day of the month next following the calendar quarter in which they accrue.
- (b) At the time of making each Royalty payment to the Lessor, the Lessee shall provide the Lessor with a certificate of a senior officer of the Lessee certifying as to the accuracy of the calculations of the Royalty payment and setting out the method of the calculation thereof to which shall be attached a true copy of the related smelter or sales receipt or receipts.
- (c) Net sales returns and net smelter returns upon the respective Products shall be calculated exclusively as provided herein, and the Royalty computed thereon shall be determined without regard to any "hedging", "forward", "futures" or comparable sales (collectively referred to as "future trading") of such Products by or on behalf of the Lessee. The Lessor shall not be entitled to any benefit of or be subject to any loss attributable to such future trading by the Lessee.
- (d) The Lessee shall cause to be kept proper books of account, records and supporting materials covering all matters relevant to the calculation of Royalties payable to the Lessor, and the reasonable verification thereof; and the Lessor shall have, from time to time, the unfettered right, during regular business hours and on reasonable notice, to carry out at its sole cost and expense an audit by established independent professionals chosen by the Lessor, of the methodology and manner of calculating all Royalty payments hereunder and the Lessee shall provide, during regular business hours and on reasonable notice, unrestricted access to its books, accounts, records, vouchers, smelter settlements, sales receipts and related documentation for this purpose. Should there be any difference in the amount of the Royalty payment or payments which are ultimately determined by arbitration to be in the Lessor's favour, which exceed five (5%) percent of the amount of the Royalty paid to the Lessor, then the cost of said audit, to the extent reasonable, shall be reimbursed to the Lessor by the Lessee.
- (e) Any dispute relating to the quantum or methodology of calculating all Royalties payable hereunder shall be settled by arbitration pursuant to the provisions of Article 12 of the Lease to which this Schedule "B" forms a part.