

AMENDMENT AGREEMENT NO. 1

THIS AMENDMENT AGREEMENT is dated for reference October 16, 2017 and is made among AFGF (Tanzania) Limited (“**AFGF**”) and Zanzibar Gold Inc. (“**Zanzibar**”)

WHEREAS the parties hereto have entered into a mineral property option agreement dated September 30, 2016 (the “**Option Agreement**”), attached as Schedule “A” hereto, whereby AFGF will grant Zanzibar an option to acquire an 80% interest in the Tanzania property;

AND WHEREAS AFGF and Zanzibar have agreed to amend the Option Agreement pursuant to the terms of this Agreement.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of one dollar (\$1.00) and the premises and the mutual covenants and agreements herein contained, and other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the parties covenant and agree as follows:

1. Recital A of the Option Agreement be and is hereby deleted in its entirety and replaced with the following:

“A. A prospecting license (the “**PL**”) was issued on September 19, 2016, and granted to Jafari Yassim Sebabili to hold on behalf of AFGF as the staking agent of AFGF. The PL licenses exploration rights for a period of 48 months effective from the grant date to carry on prospecting operations, and execute other such operations as are necessary for that purpose. The PL sets out the area that the foregoing activity can be carried out therein (and the PL and such area are collectively referred to herein as the “**Tanzania Property**”). The PL, more particularly set out in Schedule “A” attached hereto, is in the process of being transferred to AFGF.”

2. Except as provided in this Amendment Agreement, all other terms and conditions of the Option Agreement shall continue to have the same effect and force as though the parties had not entered into this Amendment Agreement.

3. Each of the parties hereby covenants and agrees that at any time upon the request of the other party, do, execute, acknowledge and deliver or cause to be done, executed, acknowledged and delivered all such further acts, deeds, assignments, transfers, conveyances, powers of attorney and assurances as may be required for the better carrying out and performance of all the terms of this Agreement. This Amendment Agreement will be governed by and be construed in accordance with the laws of British Columbia. This Amendment Agreement will be binding upon and enure to the benefit of the parties hereto and their respective heirs and executors and successors and assigns as the case may be. The recitals and any schedules form a part of and are incorporated by reference into this Amendment Agreement. No modification or amendment to this Amendment Agreement may be made unless agreed to by the parties thereto in writing. In the event any provision of this Amendment Agreement will be deemed invalid or void, in whole or in part, by any court of competent jurisdiction, the remaining terms and provisions will remain in full force and effect. Time is of the essence. This Amendment Agreement may be executed in any number of counterparts with the same effect as if all parties to this Amendment Agreement had signed the same document and all counterparts will be construed together and will constitute one and the same instrument and any facsimile signature shall be taken as an original.

IN WITNESS WHEREOF the Parties have executed this Amendment Agreement as of the date first written above.

AFGF (TANZANIA) LIMITED

By: “Signed”
Its: Authorized Signatory

ZANZIBAR GOLD INC.

By: “Signed”
Its: Authorized Signatory

SCHEDULE "A"

MINERAL PROPERTY OPTION AGREEMENT

(Please See Attached)

MINERAL PROPERTY OPTION AGREEMENT

THIS AGREEMENT dated September 30, 2016.

BETWEEN:

AFGF (TANZANIA) LIMITED, a company incorporated under the laws of Tanzania having its office at P.O.Box 34416 Mbezi House 74 Africanus Road, Dar Es Salaam, Tanzania

(the “**Optionor**”)

AND:

ZANZIBAR GOLD INC., a company incorporated under the laws of British Columbia having a registered and records an office at Suite 1780-400 Burrard Street, Vancouver, B.C. V6C 3A6

(the “**Optionee**”).

WHEREAS:

- A. The Optionor is the registered and beneficial owner of certain mineral claims comprising the Tanzania property (the “**Tanzania Property**”), more particularly set out in Schedule “A” attached hereto;
- B. The Optionee desires to acquire an 80% interest in the Tanzania Property from the Optionor; and
- C. The Optionor is willing to grant to the Optionee an option to acquire an 80% interest in the Property upon, and subject to, the terms and conditions set forth in this Agreement.

NOW THEREFORE in consideration of the mutual agreements herein contained and of other good and valuable consideration (the receipt and sufficiency of which is acknowledged by each party), the parties agree with one another as follows:

1. Definitions and Interpretation

1.1 *Definitions:* The following words and terms, as used in this Agreement, will have the respective meanings ascribed to them below:

“Agreement” means this agreement, including the recitals and the Schedules all as amended, supplemented or restated from time to time;

“Business Day” means a day other than a Saturday, Sunday or statutory holiday in British Columbia;

“Commercial Production” means, with respect to the Tanzania Property, and is deemed to have been achieved, when the concentrator processing ores from the Tanzania Property for other than testing purposes has operated for 30 days in any 40 consecutive day period at not less than 75% of design capacity or, in the event a concentrator is not erected on the Tanzania Property, when ores from the Tanzania Property have been produced for a period of 40 consecutive production days at not less than 75 of the mining rate specified in a feasibility study recommending placing the Tanzania Property into production for commercial purposes;

“Expenditures” means all items of outlay and expense whatsoever, direct or indirect, with respect to Mining Operations, recorded by the Optionee in accordance with this Agreement;

“Government or Regulatory Authority” means any federal, state, regional, municipal or other government, governmental department, regulatory authority, commission, board, bureau, agency or instrumentality that has lawful authority to regulate or administer or govern the business or property or affairs of any person, and for the purposes of this Agreement also includes any corporation or other entity owned or controlled by any of the foregoing and any stock exchange on which shares of a Party are listed for trading;

“Mining Operations” means every kind of work done by the Optionee on or in respect of the Tanzania Property or the products derived therefrom and includes, without limiting the generality of the foregoing, work of assessment, geophysical, geochemical and geological surveys, studies and mapping including National Instrument 43-101 reports, assaying and metallurgical testing, investigating, drilling, designing, examining, equipping, improving, surveying, shaft-sinking, raising, crosscutting and drifting, searching for, digging, trucking, sampling, working and procuring minerals, ores and concentrates, bringing any mining claims to lease, reclamation and in doing all work usually considered to be prospecting, exploration, development and mining work; in paying wages and salaries of persons engaged in such work and in supplying food, lodging, transportation and other reasonable needs of such persons; in paying insurance premiums and assessments or premiums for workers’ compensation insurance, contributions for unemployment insurance or other pay allowances or benefits customarily paid in the district to such persons; in paying rentals, license renewal fees, filing fees, taxes and other governmental charges required to keep the Tanzania Property in good standing; any expenses incurred by the Optionee in order to cure any defects to the title of the Tanzania Property (whether or not known to Optionor at the date of this Agreement) including filing fees and staking costs; in purchasing or renting plant, buildings, machinery, tools, appliances, equipment or supplies and in installing, erecting, detaching and removing the same or any of them; in the management of any work which may be done on the Tanzania Property for the due carrying out of such prospecting, exploration, development and mining work; and, as compensation for general overhead expenses that the Optionee may incur, an amount equal to 8% of all amounts incurred with respect to the aforesaid;

“Parties” means the parties to this Agreement and their respective successors and permitted assigns which become parties pursuant to this Agreement and “Party” means any one of the Parties; and

“Permitted Encumbrance” means

- (a) easements, rights of way, servitudes or other similar rights in land including, without limiting the generality of the foregoing, rights of way and servitudes for railways, sewers, drains, gas and oil pipelines, gas and water mains, electrical light, power, telephone, telegraph or cable television conduits, poles, wires and cables;
- (b) the right reserved to or vested in any government or other public authority by the terms of any or by any statutory provision, to terminate, revoke or forfeit any of the lease or mining claims or to require annual or other periodic payments as a condition of the continuance thereof;

- (c) rights reserved to or vested in any municipality or governmental, statutory or public authority to control or regulate any of the Tanzania Property in any manner, and all applicable laws, rules and orders of any governmental authority; and
- (d) the reservations, limitations, provisos and conditions in any original grants from Tanzania, or interests therein and statutory exceptions to title.

“Shares” means common shares in the capital of the Optionee as constituted on the date of this Agreement.

2. Representations and Warranties

2.1. *Representations and Warranties of the Optionor.* The Optionor represents and warrants to the Optionee that:

- (a) it is a corporation duly incorporated, organized and subsisting under the laws of Tanzania and has the corporate power to own its assets and to carry on its business;
- (b) it has good and sufficient power, authority and right to enter into and deliver this Agreement and to option and transfer its legal and beneficial interest in the Tanzania Property to the Optionee free and clear of all liens, charges, encumbrances and other rights of others other than the Permitted Encumbrances pursuant to this Agreement;
- (c) the Tanzania Property is in good standing with all regulatory authorities and the Optionor has filed all reports and paid all applicable fees and taxes with respect to the Tanzania Property;
- (d) it obtained all regulatory and corporate approvals required to enter into this Agreement; and
- (e) by entering into this Agreement it does not breach any laws, rules, regulations or contracts applicable to the Optionor.

2.2. *Representations and Warranties of the Optionee.* The Optionee represents and warrants to the Optionor that:

- (a) it is a corporation duly incorporated, organized and subsisting under the laws of British Columbia and has the corporate power to own its assets and to carry on its business;
- (b) it has all necessary power and authority to enter into this Agreement and any agreement or instrument referred to in or contemplated by this Agreement and to do all such acts and things as are required to be done, observed or performed by it, in accordance with the terms of this Agreement and any agreement or instrument referred to in or contemplated by this Agreement;
- (c) neither the entering into nor the delivery of this Agreement nor the completion of the transactions contemplated hereby by the Optionee will result in the violation of any agreement or other instrument to which the Optionee is a party or by which the Optionee is bound, or any applicable law, rule or regulation;

- (d) the Shares to be issued and delivered to the Optionor hereunder have been validly created and authorized for issuance and when so issued and delivered shall be duly and validly issued as fully paid and non-assessable Shares; and
- (e) it is not a non-resident for the purposes of section 116 of the *Income Tax Act* (Canada).

3. Grant of Option and Right to Assign

3.1. *Grant of Option.* The Optionor hereby grants to the Optionee the exclusive right and option to earn an 80% interest in and to the Tanzania Property pursuant to the terms and conditions set out in this Agreement (the “**Option**”).

3.2. *Working Right.* The Optionor hereby further grants to the Optionee the exclusive working right, commencing on the Effective Date and continuing until the earlier of the exercise or lapse of the Option (the “**Option Period**”) to enter upon the Tanzania Property, to conduct Mining Operations on the Tanzania Property and to have quiet possession thereof. The Optionee shall conduct all Mining Operations in compliance with all applicable statutes, regulations, by-laws, orders and judgments and all applicable directives, rules, consents, permits, orders guidelines and policies of any Government or Regulatory Authority with jurisdiction over the Tanzania Property.

3.3. *Consideration for Option.* The Optionee or its assign can acquire an 80% undivided interest in and to the Tanzania Property free and clear of all charges, encumbrances and claims in consideration for:

- (1) cash payment of \$25,000 to the Optionor (which has previously been paid);
- (2) issuance of 500,000 common shares of the Optionee to the Optionor with a deemed price of \$0.02 per share on or before September 26, 2017 (which has previously been issued) (the “**Shares**”);
- (3) incur \$75,000 in exploration expenses on or before September 26, 2016 (which has been incurred); and
- (4) an additional cash payment of \$75,000 in exploration expenses on or before December 31, 2016.

3.4. *Payments in Lieu of Expenditures.* In the event that Expenditures required to be incurred pursuant to section 3.3(iii) are less than the specified sum, the Optionee may pay to Optionor the difference between the amount it actually spent and the specified sum before the expiry of that period in full satisfaction of the Expenditures to be incurred. Such payments in cash in lieu of Expenditures shall be deemed to be Expenditures for the purposes of section 3.3(iii).

3.5. If and when the Optionee has made the cash payment, issued all of the Shares and incurred or caused to be incurred or advanced all of the Expenditures required pursuant to section 3.3, then the Option shall be deemed to have been exercised by the Optionee and a 80% undivided right, title and interest in and to the Tanzania Property shall vest in the Optionee free and clear of all charges, encumbrances and claims, and Optionor shall immediately take all necessary steps reasonably required by the Optionee to transfer an undivided 80% interest in and to the Tanzania Property to the Optionee.

3.6 Upon the execution of this Agreement, Optionor shall deliver, to the Optionee, a fully executed bill of sale or other transfer document transferring a 80% undivided interest in and to the Tanzania Property to the Optionee and the Optionee shall hold the said executed bill of sale or other transfer document in trust and shall not file it or take any other steps to transfer the interest in the Tanzania Property until the completion by the Optionee of all the requirements set out in section 3.3. If the Option is not fully exercised, then the Optionee will deliver back to Optionor said bill of sale or other transfer document.

3.7 *Grant of Second Option.* The Optionor further grants the Optionee an option to purchase up to an additional 20% interest in the Tanzania Property (the “**Second Option**”) upon exercise of the Option by the Optionee to earn an 80% interest in the Property.

3.8 The Second Option may be fully exercised to attain a further 20% legal and beneficial interest in the Tanzania Property (for an aggregate of up to 100% legal and beneficial interest in the Tanzania Property) for a 3 year period from the execution of this Agreement in consideration for further payments of:

i) \$1,000,000 for each additional 5% interest in the Tanzania Property for up to \$4,000,000; or

ii) \$3,000,000 for an additional 15% interest in the Tanzania Property whereby the Optionee may at its sole discretion, pay a further \$1,000,000 for a 3% net smelter return (the “**Royalty**”) calculated in accordance with the terms and conditions set out in Schedule “B”. The Optionee shall be entitled to an option to repurchase up to 2% of the Royalty thereby reducing the Royalty to as low as 2% or 1% net smelter return as the case may be, which may be exercisable at any time, upon the Optionee giving the Optionor notice of exercise together with \$1,000,000 for each 1% net smelter return for an aggregate of up to \$2,000,000.

4. Obligations during Option Period

4.1. *Covenants of the Optionee.* During the Option Period, the Optionee covenants and agrees with the Optionor to:

- (a) conduct all mining work in a careful and miner-like manner and in compliance with all applicable statutes, regulations, by-laws, orders and judgments and all applicable directives, rules, consents, permits, orders, guidelines and policies of any Government or Regulatory Authority with jurisdiction over the Tanzania Property; and
- (b) keep Tanzania Property in good standing by doing and filing, or payment in lieu thereof, all necessary assessment work and maps and payment of all taxes or assessments required to be paid and by doing all other acts and things and making all other payments required to be made which may be necessary in that regard.

4.2. *Abandonment.* The Optionee may at any time, during the Option Period, abandon any one or more of the claims which comprise the Tanzania Property. The Optionee shall give the Optionor thirty (30) days prior notice in writing of any proposed abandonment. If the Optionor so requests, the Optionee will retransfer such mineral claims that the Optionee wishes to abandon to the Optionor at the sole cost of the Optionee, which mineral claims shall be in good standing for a period of at least 90 days from the initial notice of intention to abandon provided by the Optionee to the Optionor.

4.3. *No Encumbrances.* During the Option Period, the Optionee shall not pledge, mortgage or charge or otherwise encumber their beneficial interest in the Tanzania Property or its rights under this Agreement.

5. Exercise of Option Granted in the Property

5.1. *Exercise of Option.* If the Optionee has issued all of the Shares and made all of the payments and Expenditures referred to in section 3.3, the Optionee may exercise the Option by giving written notice to the Optionor, together with a statement of account certified by a senior officer of the Optionee confirming such Expenditures. In such event the Optionee shall become the owner of an 80% interest in and to the Tanzania Property.

6. Termination

6.1. *Termination for Cause.* Subject to section 6.3, the Optionor may terminate this Agreement and the Option and working right herein shall lapse if:

- (a) the Optionee is in default of any term or condition of this Agreement; and
- (b) if, upon expiration of 30 days from the date of receipt by the Optionee of such notice, the Optionee has failed to cure the default or if such default cannot reasonably be cured within such 30 day period and the Optionee has failed to make commercially reasonable efforts to implement a cure for such default.

6.2. *Surrender of Rights.* Subject to section 6.3, the Optionee may give the Optionor written notice of the Optionee's intention to surrender all of its rights hereunder and, upon expiration of 30 days from the date of receipt by the Optionor of such notice, this Agreement shall terminate and the Option and working right granted herein shall lapse.

6.3. *Obligations on Termination.* Notwithstanding any other provisions of this Agreement, in the event of lapse, termination or surrender of the Option and/or this Agreement, as the case may be, the Optionee shall:

- (a) ensure that the Tanzania Property is in good standing for a period of at least 12 months from the lapse, termination or surrender of the Options and/or this Agreement, as the case may be, and upon request of the Optionor, retransfer all mineral claims comprising the Tanzania Property to the Optionor, if any such mineral claims are registered in the name of the Optionee;
- (b) deliver to the Optionor any and all reports, maps, assessment reports and maps, samples, assay results, drill cores and engineering data of any kind whatsoever pertaining to the Tanzania Property or related to mining work which have not been previously delivered to the Optionor; and
- (c) upon notice from the Optionor, remove all materials supplies and equipment from the Tanzania Property; provided however, that the Optionor may retain ore and, at the cost of the Optionee, dispose of any such materials, supplies or equipment not removed from the Tanzania Property within 90 days of receipt of such notice by the Optionee.

6.4. *Provisions which Operate Following Termination.* Notwithstanding any termination of this Agreement for any reason whatsoever and with or without cause, the provisions of section 6.3 and any other provisions of this Agreement necessary to give efficacy thereto shall continue in full force and effect following any such termination.

7. Notices and Payments

7.1. *Notice.* Any demand, notice or other communication (a "Communication") to be made or given in connection with this Agreement shall be made or given in writing and may be made or given by personal delivery, registered mail or facsimile addressed to the recipient at the addresses or

facsimile numbers of the parties provided on the first page of this Agreement or such other address or individual as may be designated by notice by either party to the other. Any Communication made or given by personal delivery shall be conclusively deemed to have been given on the day of actual delivery thereof, if made or given by registered mail, on the 4th day, other than a day which is not a Business Day, following the deposit thereof in the mail, and if made or given by facsimile, on the day, other than a day which is not a Business Day, following the day it was confirmed as received. If the party giving any Communication knows or ought reasonably to know of any difficulties with the postal system which might affect the delivery of the mail, any such Communication shall not be mailed but shall be made or given by personal delivery.

7.2. *Payments.* Payments to be made by any one Party to the other Party as set forth in this Agreement shall be made in lawful money of Canada, unless otherwise indicated, and shall be addressed to the recipient at the addresses of the recipient party provided on the first page of this Agreement or such other address or individual as may be designated by notice by the recipient party in accordance with section 7.1. If any payment herein shall become due on a day that is not a Business Day, such payment shall be made on the next succeeding Business Day.

8. Regulatory Approval

8.1. This Agreement and the transactions contemplated hereunder are subject to the filing with and acceptance by the authority having jurisdiction over the securities of the Optionee. The Optionee will use its best efforts to obtain, at its sole cost and expense and as soon as possible upon the execution of this Agreement, the approvals that may be required for this Agreement and the transaction contemplated herein.

9. General Provisions

9.1. *Entire Agreement.* This Agreement, including all the Schedules hereto, together with the agreements and other documents to be delivered pursuant hereto, constitutes the entire agreement among the parties pertaining to the subject matter hereof and supersedes any and all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties and there are no warranties, representations or other agreements among the Parties in connection with the subject matter hereof except as specifically set forth herein and therein.

9.2 *Further Assurances.* Each Party shall from time to time at the request of the other Party and without further consideration, execute and deliver all such other additional assignments, transfers, instruments, notices, releases and other documents and shall do all such other acts and things as may be necessary or desirable to assure more fully the consummation of the transactions contemplated hereby.

9.3. *Time.* Time shall be of the essence of this Agreement.

9.4. *Amendment.* This Agreement may be amended or varied only by agreement in writing signed by each of the Parties. Unless the context otherwise so requires, a reference to this Agreement shall include a reference to this Agreement as amended or varied from time to time.

9.5. *Severability.* If any provision of this Agreement is determined to be invalid or unenforceable in whole or in part, such invalidity or unenforceability shall attach only to such provision or part thereof and the remaining part of such provision and all other provisions hereof shall continue in full force and effect.

9.6. *Governing Law and Attornment.* This Agreement shall be governed by and interpreted in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein and the Parties hereby irrevocably attorn to the jurisdiction of the courts of the Province of British Columbia. For the purpose of all legal proceedings, this Agreement shall be deemed to have been performed in the Province of British Columbia and the courts of the Province of British Columbia

shall have exclusive jurisdiction to entertain any action arising under this Agreement.

9.8 The Optionor understands and agrees that this agreement will be disclosed pursuant to the applicable laws, rules and regulations and will be available to the public and regulatory authorities.

9.9. *Counterparts*. This Agreement may be executed in as many counterparts as are necessary and delivered by fax or electronic mail and shall be binding on each Party when each Party has signed and delivered one such counterpart. When a counterpart of this Agreement has been executed by each Party, all counterparts together shall constitute one agreement.

IN WITNESS WHEREOF this Agreement has been duly executed by the respective Parties hereto effective as of the date first above written.

AFGF (TANZANIA) LIMITED

“Signed”

Per: Authorized Signatory

ZANZIBAR GOLD INC.

“Signed”

Per: Authorized Signatory

SCHEDULE “A”

Prospecting License	District	Issue Date	Owner	Map No.	Good To Date	Area
PL 11043/2016	Hadani Urban and Kilindi Districts	September 27, 2016 ¹	AFGF (Tanzania) Limited	QDS 147/1 & 2	September 19, 2020.	Approximately 150 hectares

¹ PL 11043/2016 was granted to Jafari Yasini Sebabili by the United Republic of Tanzania, Ministry of Energy and Minerals on September 19, 2016, and subsequently transferred to AFGF (Tanzania) on September 27, 2016.

SCHEDULE "B"

NET SMELTER RETURN

For the purposes of this Schedule "B" and of calculating the amount of royalty payable hereunder:

(a) "net smelter return" – means that amount of money actually received from the sale of the ores mined from the Property or from the sale of the concentrates or other products derived therefrom, less all costs or expenses incurred with respect to freight, trucking or handling of ores, concentrates or other products ex headframe in the case of ores and ex mill or other treatment facility in the case of concentrates or other products;

(b) "Operator" – means the party responsible for the carrying on of the operations relating to the Property, which shall be the Optionee under the Agreement to which this Schedule "B" is annexed thereto;

(c) "Owner" – means the person or persons that own an interest in the Property as at the relevant time including, without limitation, the Operator if the Operator has such an interest;

(e) "Recipient" – means the party or parties that are from time to time entitled to be paid the royalty hereunder;

(f) "year" – means the calendar year and a reference to a subdivision of a year means a reference to the relevant subdivision of a calendar year;

(g) those terms defined in the Agreement of which this Schedule "B" is part shall have the same meanings as so defined (save as otherwise provided in this Schedule "B").

2. All calculations and computations relating to the royalty shall be carried out in accordance with generally accepted accounting principles and good mining practice.
3. Subject to the provisions hereof, the amount of royalty payable to the Recipient hereunder shall be calculated by the Operator as at the end of each quarter and shall be payable to the Recipient on or before the 15th day of the next following quarter; provided, however, that the Operator shall deduct from royalty otherwise payable the amount of any advance royalty paid pursuant to the annexed agreement until such time as the aggregate amount of the advance royalty so paid has been so deducted. It is understood and agreed between the parties that no royalty shall be payable in regard of any forward selling or hedging transaction carried out by the Operator.
4. With each payment of royalty, the Operator shall deliver to the Recipient a statement indicating the nature of the payment being made, if any, the manner in which it was determined and, as at the date of such calculation, the aggregate amount of advance royalty (if any) paid and not deducted hereunder. If no royalty is payable in any quarter, the Operator shall deliver a statement accordingly. Within 90 days after the end of each year in which royalty is payable, or save for deduction of advance royalty previously paid would be payable, the Operator shall deliver to the Recipient a certificate confirming the determination of the amount of royalty paid or otherwise payable during the said year.
5. The Operator shall keep separate accounts relating to its operations hereunder and, upon the prior written request of the Recipient, duly authorized representatives of the Recipient may have access to such accounts for the purpose of confirming any information contained in a statement delivered to the Recipient pursuant to the provisions of paragraph 4 hereof; provided, always, that such access shall not interfere with the affairs of the Operator. The Recipient shall have the right to make copies of or take extracts from such accounts (but only for his own use).
6. In case of difference between what was paid as royalty in the corresponding quarter as confirmed in

the certificate mentioned in paragraph 4 above, the Recipient shall complain to the Operator in writing explaining the reason of the difference and the Operator shall have 15 days after receiving the complaint to answer and support his calculations, otherwise it shall pay the difference between what it paid and the amount determined by the Recipient. In case the difference continue, the parties shall, within the following 15 days after the end of the first period for the Operator to answer Recipient, appoint an arbitrator under the under the Rules of the British Columbia International Commercial Arbitration Centre to determine the final amount of royalties payable during the disputed quarter. The expenses and fees of the arbitrator shall be borne by the Recipient if the decision reached hereunder does not increase the paid royalties to the Recipient in more than 1%, and otherwise by the Operator. Unless the Recipient complains to the Operator within 30 days of the receipt of the royalty, the payment and amount of the royalty shall conclusively be deemed to be correct and the Recipient shall have waived its right to challenge such payment.

7. (a) For the purpose of calculating the amount of royalty payable to the Recipient hereunder only, if any one or product derived from one mined from the property is retained by the Operator or Owner or sold to a company associated with the Operator or Owner, and if the sale price of such product is not negotiated on an arm's length basis, the Operator shall, for the purposes of calculating net smelter return available to pay the royalty hereunder only and notwithstanding the actual amount of such sale price, add to any moneys actually received with respect to such sale an amount which the Operator considers sufficient, to make the same represent a reasonable sale price for such product as if negotiated at arm's length

(b) The Operator shall by notice inform the Recipient of the quantum of such reasonable sale price and, if the Recipient does not object thereto within 45 days after receipt of such notice, said quantum shall be final and binding for the purposes of this paragraph 6.

(c) If the Recipient objects to such quantum by notice delivered to the Operator within the said 45 days, then the quantum of such reasonable sale price shall be decided by arbitration as follows: the Recipient shall nominate one arbitrator and shall notify the Operator of such nomination and the operator shall, within 45 days after receiving such notice, nominate an arbitrator and the two arbitrators shall select an umpire to act jointly with them. If the said arbitrators shall be unable to agree in the selection of such umpire, the umpire shall be a person designated by the President or any Vice-President of the Canadian Institute of Mining and Metallurgy, provided that such person is not an employee of the Owner or any company affiliated with the Owner. The umpire shall fix the time and place for the purpose of hearing such evidence and representations as either or the parties hereto may present and, subject to the provisions hereof, the decision of the arbitrators and umpire, or any two of them, in writing shall be binding upon the parties hereto. The said arbitrators and umpire shall, after hearing any evidence and representations that the parties may submit, make their award, reduce the same to writing and deliver one copy thereof to each of the parties hereto. The majority of the umpire and arbitrators may determine any matters of procedure for the arbitration not specified herein. If the Operator fails within the said 45 days to nominate an arbitrator, then the arbitrator nominated by the Recipient may proceed alone to determine the dispute in such manner and at such time as he shall think fit and his decision shall, subject to the provisions hereof, be binding upon the parties hereto.

(d) The expense of the arbitration shall be paid by de Recipient if the decision reached hereunder does not increase such quantum by more than a 1% of the quantum set forth in the notice hereinbefore referred to and otherwise by the Operator. Insofar as they do not conflict with the provisions hereof, the Rules for the Conduct of Arbitrations of the Arbitrators Institute of Canada Inc., as amended or replaced from time to time, shall be applicable. Appeal from the decision of the arbitrators shall be in accordance with the provisions of the said Rules.