

OPTION AND JOINT VENTURE AGREEMENT

made between

GREAT WESTERN MINERALS GROUP LTD.

and

STAR MINERALS GROUP LTD.

Effective December 3, 2013

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OPTION AND JOINT VENTURE AGREEMENT

THIS OPTION AGREEMENT AND JOINT VENTURE AGREEMENT (the “**Agreement**”) made effective as of the 3rd day of December, 2013,

AMONG:

GREAT WESTERN MINERALS GROUP LTD., a corporation existing under the *Canada Business Corporations Act* and having an office located at 219 Robin Crescent, Saskatoon, Saskatchewan S7L 6M8, Fax number: (306) 659-4501

(“**Great Western**” or the “**Optionor**”)

OF THE FIRST PART

AND:

STAR MINERALS GROUP LTD., a corporation existing under the Saskatchewan and having an office located at Suite 1201A – 201 First Avenue South, Saskatoon, Saskatchewan S7K 1J5, Fax number: (306) 244-0042

(“**Star**” or the “**Optionee**”)

OF THE SECOND PART

WHEREAS:

- A. Great Western owns a 100% undivided registered and beneficial ownership interest, subject to the 1.8% NSR (as defined below), in the mineral and other related rights in and to the mineral property colloquially known as the “Hoidas Lake Project”, being comprised of fourteen mineral claims (the “**Hoidas Lake Claims**”) totalling approximately 12,488 hectares and related property in northern Saskatchewan, all as more particularly described in SCHEDULE A (collectively, the “**Hoidas Lake Project**”);
- B. Great Western wishes to grant to Star an option to earn and acquire up to a 51% ownership interest in the Hoidas Lake Project (the “**Hoidas Lake Option Interest**”);
- C. upon the execution of this Agreement, the Parties wish to enter into an unincorporated contractual joint venture in respect of the exploration, development, exploitation and operation of the Hoidas Lake Project on the terms and conditions as set forth in this Agreement and as set forth in SCHEDULE C hereto (the “**Hoidas Lake Joint Venture**”);

NOW THEREFORE THIS AGREEMENT WITNESSES that for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by each of the Parties, each of the Parties agree as follows:

ARTICLE 1 INTERPRETATION

1.1 Definitions

- (1) For the purposes of this Agreement, except as otherwise defined herein, the following capitalized words and phrases when used herein have the following meanings:

- (a) “**1.8% NSR**” means the 1.8% net smelter returns royalty payable to the original prospector of the Hoidas Lake Project, which royalty is capped at \$1,000,000, a copy of the underlying agreement being attached hereto as Schedule D.
- (b) “**Additional Property**” means any Mineral Rights or Surface Rights acquired within the Area of Interest and which become a part of the Property as contemplated in Article 3.
- (c) “**Affiliate**” means any person, partnership, joint venture, corporation or other form of enterprise which directly or indirectly controls, is controlled by, or is under common control with, a Party. For purposes of the preceding sentence, “control” means possession, directly or indirectly, of the power to direct or cause direction of management and policies through ownership of voting securities, contract, voting trust or otherwise.
- (d) “**Agreement**” means this option and joint venture agreement, including the recitals and the schedules hereto, as amended in writing from time to time.
- (e) “**AOI Property**” means any property which is all or partly found within the Area of Interest.
- (f) “**Area of Interest**” means the geographical area delineated by the boundary that is Five (5) kilometres from, and extending all around the boundaries of the Hoidas Lake Project as currently constituted and as set out in SCHEDULE B.
- (g) “**Arm’s Length**” means the relationship between Persons who are not “related persons” as defined in subsection 251(2) of the Tax Act.
- (h) “**Bondholder Approval**” has the meaning set forth in Section 14.2(1) of this Agreement.
- (i) “**Budget**” means a budget of estimated Joint Venture Expenditures prepared by the Operator and approved by the JV Management Committee relating to the carrying out of a Program or otherwise to be incurred during the period to which such a Budget relates.
- (j) “**Business Day**” means any day which is not a Saturday or Sunday on which commercial banks are open for business in Saskatoon, Saskatchewan.
- (k) “**Claim**” means any claim, demand, action, cause of action, damage, loss, cost, liability, obligation or expense, including reasonable professional fees and disbursements and all reasonable costs incurred in investigating, pursuing or settling any of the foregoing or any proceeding relating to any of the foregoing.
- (l) “**Commercial Production**” means, and is deemed to have been achieved, on: (i) the later of the date that the concentrator producing a mixed rare earth product and, if applicable, the separator producing separated rare earth products from ores derived from a Property, other than for testing purposes, has produced on-specification product for a period of 90 consecutive production days at an average rate of not less than 75% of design capacity specified in the Feasibility Study recommending placing such Property and concentrator and/or separator into commercial production or; (ii) if a concentrator and/or separator is not erected in connection with the Hoidas Lake Project, when ores have been produced for a period of 90 consecutive production days at the rate of not less than 75% of the mining rate specified in the Feasibility Study recommending placing such Property into commercial production.

- (m) “**Community Relations Expenditures**” means expenditures incurred after the signing of the LOI with the purpose of reaching community access agreements with the Hoidas Lake communities (and, if applicable, other affected communities) as well as such actions and contributions made as part of community access agreements required to maintain the community relations in good standing.
- (n) “**Dilution Out NSR**” means a net smelter returns royalty payable in respect of the Property (including any Additional Property) in accordance with the terms of the Hoidas Lake JV Agreement.
- (o) “**Effective Date**” means the effective date of this Agreement, as set forth in its recitals.
- (p) “**Environmental Matters Schedule**” means the schedule of environmental matters in relation to the Property as at the Effective Date attached hereto as Schedule E.
- (q) “**Excluded Interest**” has the meaning set forth in Section 3.1(1) of this Agreement.
- (r) “**Expenditures**” means all direct costs and expenses of whatever kind or nature spent or incurred by or on behalf of the Optionee (and its Affiliates) from the date hereof in the conduct of exploration, evaluation, development and exploitation activities on or in relation to the Property (and for greater certainty, Property shall include Additional Property), including, without limitation:
 - (i) in holding the Property in good standing (including any monies expended as required to comply with applicable Laws and regulations, such as for the completion and submission of assessment work and filings required in connection therewith), to promote relations with the communities located in, on or within the area of influence of the Property, in curing title defects and in acquiring and maintaining Surface Rights and other ancillary rights;
 - (ii) in preparing for and in the application for and acquisition of environmental and other permits necessary or desirable to commence and complete exploration, evaluation and development activities on the Property;
 - (iii) in doing geophysical, geological and land surveys and mapping, drilling, sampling, assaying and metallurgical testing, including costs of assays, metallurgical testing and other tests and analyses to determine the quantity and quality of Minerals, water and other materials or substances;
 - (iv) in preparing any reports, studies or papers including any Preliminary Economic Assessment, pre-feasibility or Feasibility Study or other study or evaluation in respect of the Property and the placing of the Property into Commercial Production;
 - (v) in acquiring facilities or the use thereof and for all parts, supplies and consumables;
 - (vi) for salaries and wages, including actual labour overhead expenses for employees assigned to exploration and development activities;
 - (vii) travelling expenses and fringe benefits (whether or not required by law) of all persons engaged in work with respect to and for the benefit of the Property including for their food, lodging and other reasonable needs;

- (viii) payments to contractors or consultants for work done, services rendered or materials supplied;
 - (ix) all taxes levied against or in respect of the Property or activities thereon and the cost of insurance premiums and performance bonds or other security; and
 - (x) all reasonable costs and expenses of the Operator in relation to the Hoidas Lake Project including fees charged by the Operator pursuant to this Agreement.
- (s) “**Feasibility Study**” means a technical and economic study within the meaning of NI 43-101, showing the feasibility of placing the Hoidas Lake Project or any parts thereof into Commercial Production, prepared or confirmed by a recognized and independent firm of mining engineering consultants which contains a detailed examination of the feasibility of bringing a deposit of Minerals on the Hoidas Lake Project into Commercial Production by establishment of a mine, and which includes reviews of all relevant issues, a statement of the ore reserves, a description of the nature and scale of any proposed operation, an estimate of the construction and other costs necessary to bring the Hoidas Lake Project into Commercial Production and an estimate of the operating costs after the commencement thereof, provided that, at a minimum, the Feasibility Study will be in a scope/form acceptable to a bank or other arm’s length financial institution for the purpose of considering whether to provide project financing.
- (t) “**Force Majeure**” means, other than as a direct or indirect consequence of the negligence or default of a Party, any cause beyond a Party’s reasonable control (except those caused by: economic hardship; lack of funds, credit or markets; inability to pay any sum of money; or delays in performance of obligations unless that delay is caused by Force Majeure) including, but not limited to: acts of God; lack of rights or permission by indigenous peoples’ or community groups to enter onto a Property to conduct exploration, development and mining operations thereon including the absence of community access agreements or Community Approvals; war or war conditions; storm; fire; flood; explosion; strikes; lockouts or other industrial or civil disturbances; any terrorist or criminal act; any military or paramilitary act or order; Laws, rules and regulations or orders of any duly constituted court or governmental authority; or protests, demonstrations or other events causing work stoppages by environmental or community lobbyists or others.
- (u) “**Governmental Authority**” means any federal, state, provincial, territorial, regional, municipal or local government or authority, quasi government authority, fiscal or judicial body, government or self-regulatory organization, commission, board, tribunal, organization, or any regulatory, administrative or other agency, or any political or other subdivision, department, or branch of any of the foregoing having jurisdiction over the Hoidas Lake Project.
- (v) “**Government Fees**” means all rentals, holding fees, location fees, maintenance payments or other payments required by any law, rule or regulation to be paid to a federal, provincial or territorial government, in order to locate or maintain any mining leases or surface leases, claims or other tenures included in or comprising the Property.
- (w) “**Hoidas Lake Claims**” has the meaning ascribed to it in Recital A above.

- (x) “**Hoidas Lake First Option**” has the meaning ascribed to it in Section 2.1(1)(a).
- (y) “**Hoidas Lake First Option Exercise Date**” has the meaning ascribed to it in Section 6.1(1)(a).
- (z) “**Hoidas Lake First Option Interest**” has the meaning ascribed to it in Section 2.1(1)(a).
- (aa) “**Hoidas Lake First Option Period**” has the meaning ascribed to it in Section 6.1(1).
- (bb) “**Hoidas Lake First Option Program**” has the meaning ascribed to it in Section 6.1(1).
- (cc) “**Hoidas Lake Joint Venture**” means the unincorporated contractual joint venture formed on the Effective Date of this Agreement pursuant to Article 12 of this Agreement and according to the terms set out in SCHEDULE C to this Agreement.
- (dd) “**Hoidas Lake Joint Venture Assets**” means the Hoidas Lake Project and all other assets of the Hoidas Lake Joint Venture including the Property.
- (ee) “**Hoidas Lake Joint Venture Interest**” means the respective percentage participation interest of each of the Parties in the Hoidas Lake Joint Venture, which interest shall, at all times, correspond with and represent each Party’s undivided participation interest in and to the Hoidas Lake Project and all other assets of the Hoidas Lake Joint Venture.
- (ff) “**Hoidas Lake JV Agreement**” means terms and conditions set out in SCHEDULE C to this Agreement, as amended in writing from time to time.
- (gg) “**Hoidas Lake Option**” has the meaning ascribed to it in Section 2.1(1).
- (hh) “**Hoidas Lake Option Interest**” has the meaning ascribed to it in Recital B above.
- (ii) “**Hoidas Lake Option Period**” means the period comprised of the Hoidas Lake First Option Period and the Hoidas Lake Second Option Period, subject to earlier termination in accordance with Article 10.
- (jj) “**Hoidas Lake Project**” has the meaning ascribed to it in Recital A above.
- (kk) “**Hoidas Lake Second Option**” has the meaning ascribed to it in Section 2.1(1)(b)
- (ll) “**Hoidas Lake Second Option Exercise Date**” has the meaning ascribed to it in Section 6.2(1).
- (mm) “**Hoidas Lake Second Option Interest**” has the meaning ascribed to it in Section 2.1(1)(b).
- (nn) “**Hoidas Lake Second Option Period**” has the meaning ascribed to it in Section 6.2(1).
- (oo) “**Hoidas Lake Second Option Program**” has the meaning ascribed to it in Section 6.2(1).
- (pp) “**JV Management Committee**” means the joint venture management committee established by the Parties on the formation of this Agreement.
- (qq) “**Laws**” means all federal, provincial, territorial and local laws (statutory or common), rules, ordinances, regulations, grants, concessions, franchises, licenses, orders, directives, judgments, decrees, and other governmental restrictions, including permits and other similar requirements, whether legislative, municipal, administrative or

judicial in nature, including laws related to the protection or management of the environment, which are applicable to the Parties, the Hoidas Lake Project and Mining Operations, regardless of whether or not in existence as of the date hereof or enacted or adopted hereafter; provided, however, nothing in this definition is intended to make laws applicable to the Parties during periods when the laws are not applicable by their terms or the timing of their enactment.

- (rr) “**Lien**” means any lien, security interest, mortgage, charge, deed of trust, encumbrance, security interest, hypothec, pledge, net profits interest, royalty, title retention agreement or arrangement, royalty, restrictive covenant or other claim, whether registered or unregistered, and whether arising by agreement, statute or otherwise, of any and every nature or kind whatsoever and any rights or privileges capable of becoming any of the foregoing.
- (ss) “**LOI**” means the letter of intent between Star and Great Western dated May 29, 2013, as amended from time to time.
- (tt) “**Losses**” means any claims, losses, demands, judgments, liabilities, expenses, damages, fines, charges, costs (including legal costs incurred on a solicitor and own client basis) and losses of every kind whatsoever, except for lost profits.
- (uu) “**Mineral Rights**” means the prospecting licences, mining leases, mineral concessions and other forms of mineral tenure or other rights to Minerals, or to work upon lands comprising the Hoidas Lake Joint Venture Assets for the purpose of searching for, developing or extracting Minerals under any forms of mineral title recognized under the Laws and regulations of Saskatchewan and the Laws and regulations of Canada applicable therein, whether contractual, statutory or otherwise, or any interest therein.
- (vv) “**Minerals**” means all marketable naturally occurring metallic and non-metallic minerals or mineral bearing material in whatever form or state, including, without limitation, any rare earths, precious metal, any base metal, natural gas, petroleum, coal, diamonds, salt and rock, sand, gravel or aggregate, that is mined, extracted, removed, produced or otherwise recovered from the Hoidas Lake Joint Venture whether in the form of ore, doré, concentrates, refined metals or any other beneficiated or derivative products thereof and including any such minerals or mineral bearing materials or products derived from any processing or reprocessing of any tailings, waste rock or other waste products originally derived from the Hoidas Lake Joint Venture Assets or Hoidas Lake Project.
- (ww) “**Mining Operations**” means any and every kind of exploration, development, exploitation, production, reclamation and other work done on or in respect of the Property, by or on behalf of the Operator, including:
 - (i) carrying out, or causing to be carried out, line cutting, geophysical, geochemical, geological and land surveys, library research, report preparation, studies, mapping, assaying and metallurgical testing, investigating, drilling, examining, equipping, improving, surveying, trenching, shaft-sinking, raising, crosscutting and drifting the Property, searching for, digging, trucking, sampling, working and procuring ores, bringing mining lands to lease and keeping the same in good standing, obtaining mineral properties or exploration, development, mining or other licenses, permits or mining claims and maintaining same in good standing,

and in doing all other exploration, development, pre-production and mining work, including mine construction;

- (ii) paying wages, salaries and benefits of Persons engaged in such work and in supplying food, lodging, transportation and other reasonable needs of such individuals;
 - (iii) 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 individuals;
 - (iv) making payments in respect of exploration permits, leases, licenses, mining claims, taxes, rates, assessments or other Government Fees in connection with the Property and filing all assessment work with relevant governmental authorities;
 - (v) procuring and paying for all insurance coverage required under this Agreement or the Hoidas Lake JV Agreement or as may be otherwise prudent or required under applicable Laws;
 - (vi) purchasing, leasing or renting plant, buildings, machinery, tools, appliances, equipment or supplies or incurring other capital expenses, and in installing, erecting, detaching or removing any such assets on or from the Property;
 - (vii) mining, milling, concentrating, rehabilitation, reclamation, and environmental protections and in the management of any work which may be done on the Property or in any other respect necessary for the due carrying out of prospecting, exploration and development work including, without limitation, mine construction and operation;
 - (viii) managing, supervising or conducting any work which is done in respect of the Property or in any other respects necessary or desirable, in the reasonable opinion of the Operator; and
 - (ix) managing, supervising or conducting any work or programs related to Community Approvals or community matters or relations carried out in the area of influence of the Property or in any other respects necessary or desirable, in the reasonable opinion of the Operator.
- (xx) “**NI 43-101**” means National Instrument 43-101 – “*Standards of Disclosure for Mineral Projects*”.
- (yy) “**Operator**” means the Party responsible for, among other things, defining, preparing, planning, directing and implementing all Programs and carrying out, or causing to be carried out, all Mining Operations and other work in respect of the Hoidas Lake Project.
- (zz) “**Optionee Indemnified Parties**” means, collectively, the Optionee, its Affiliates and their respective directors, officers, employees, agents, representatives and contractors.
- (aaa) “**Optionee**” means Star.
- (bbb) “**Optionor**” means Great Western.

- (ccc) “**Optionor Board**” means the board of directors of the Optionor.
- (ddd) “**Optionor Indemnified Parties**” means, collectively, the Optionor, its Affiliates and its directors, officers, employees, agents, representatives and contractors.
- (eee) “**Party**” means a Party to this Agreement.
- (fff) “**Permitted Lien**” means:
- (i) all reservations, limitations, provisos and conditions expressed in the Mineral Rights comprising the Property;
 - (ii) any liens for taxes, levies and assessments not yet due or payable;
 - (iii) all rights of expropriation of any federal, state or municipal authority or agency;
 - (iv) mechanic’s, carrier’s, workmen’s, repairmen’s or other similar liens (inchoate or otherwise) arising or incurred in the ordinary course of business in respect of obligations which are not overdue;
 - (v) minor title defects or irregularities consisting of minor surveyor exceptions and other unrecorded easements or rights-of-way or other restrictions as to the use of the Property which title defects, irregularities or restrictions do not, either individually or in the aggregate, materially impair the present or proposed use of the Property;
 - (vi) any easement or right-of-way to any utility (either municipal, private or public) whether it be for gas, water, electricity and/or telephone for service to the Property;
 - (vii) any Liens in respect of the Property approved by the JV Management Committee;
 - (viii) the 1.8% NSR; and
 - (ix) any Liens described in SCHEDULE A.
- (ggg) “**person**” means an individual, firm, trust, partnership, association, corporation, government or governmental board, department, agency or authority and the heirs, executors, administrators or other legal representatives of an individual.
- (hhh) “**Preliminary Economic Assessment**” means a study, other than a pre-feasibility study or feasibility study, prepared in accordance with NI 43-101 and which includes an economic analysis of the potential viability of mineral resources, the scope of which Preliminary Economic Assessment shall be determined by the JV Management Committee provided that, at a minimum, the battery limits of the Preliminary Economic Assessment will contemplate the production of mixed rare earth product and either separation by the Hoidas Lake Joint Venture or toll separation by a third party.
- (iii) “**Production Decision**” has the meaning ascribed thereto in the Hoidas Lake JV Agreement.
- (jjj) “**Program**” means a written description and budget, prepared by the Operator, outlining all Mining Operations and Expenditures which the Operator contemplates carrying

out or incurring in a specified time period in respect of the Property for approval by the JV Management Committee.

- (kkk) **“Property”** means the Mineral Rights to the Hoidas Lake Project described in SCHEDULE A and, after the date of this Agreement, includes the Mineral Rights and Surface Rights comprised in the Hoidas lake Project and any Additional Property, together with any renewal of any of such Mineral Rights or Surface Rights and any other form of successor or substitute title therefor.
- (lll) **“Purpose”** has the meaning ascribed thereto in Section 1.9.
- (mmm) **“Representative”** means the individual appointed from time to time by a Party to act as such Party’s representative on the JV Management Committee.
- (nnn) **“SEDAR”** means the System for Electronic Document Analysis and Retrieval, the official site of which is www.sedar.com and which site provides access to most public securities documents and information filed by public companies and investment funds with the Canadian Securities Administrators.
- (ooo) **“Surface Rights”** means any interest in any real property, whether freehold, leasehold, license, right of way, easement or any other surface or other right in relation to real property situated on the lands comprising the Property.
- (ppp) **“Tax Act”** means the *Income Tax Act* (Canada).
- (qqq) **“TSX Venture”** means the TSX Venture Exchange Inc.
- (rrr) **“Voting Agreements”** has the meaning set forth in Section 14.2(1) of this Agreement.

1.2 Included Words

- (1) This Agreement will be read with such changes in gender or number as the context requires. Any instance of the word “including” means “including without limitation”.

1.3 Headings

- (1) The headings to the articles, sections, subsections or clauses of this Agreement are inserted for convenience only and are not intended to affect the construction hereof.

1.4 References

- (1) Unless otherwise stated, a reference herein to a numbered or lettered article, section, subsection, clause or schedule refers to the article, section, subsection, clause or schedule bearing that number or letter in this Agreement. A reference to “this Agreement”, “the Option Agreement”, “hereof”, “hereunder”, “herein” or words of similar meaning, means this Agreement including the schedules hereto, together with any amendments thereof.

1.5 Knowledge

- (1) Where any representation or warranty contained in this Agreement is expressly qualified by reference to the knowledge of a Party, such Party confirms that it has made due and diligent inquiry of such persons (including appropriate officers of such Party) as are reasonably necessary as to the matters that are the subject of the representations and warranties.

1.6 Schedules

- (1) The following schedules are attached to and incorporated in this Agreement by this reference:
 - A. Hoidas Lake Project Description
 - B. Hoidas Lake Area of Interest
 - C. Hoidas Lake JV Agreement
 - D. 1.8% NSR Agreement
 - E. Environmental Matters Schedule

1.7 Governing Law and Attornment

- (1) This Agreement will be construed according to and governed by the Laws in force in Saskatchewan and, except where matters are expressed herein to be subject to arbitration, the courts of Saskatoon, Saskatchewan will have the exclusive jurisdiction to hear and determine all disputes arising hereunder. Nothing contained in this Section 1.7 is intended to affect the rights of a Party to enforce a judgment or award outside of Saskatchewan.

1.8 Severability

- (1) If any provision of this Agreement is or becomes illegal, invalid or unenforceable, in whole or in part, the remaining provisions will nevertheless be and remain valid and subsisting and the said remaining provisions will be construed as if this Agreement had been executed without the illegal, invalid or unenforceable portion.

1.9 Purpose

- (1) The Parties acknowledge and agree that the overall intent and purpose of entering into this Agreement (the “**Purpose**”) is to prospect and explore for Minerals on the Property in order to determine whether the Property contains a commercial rare earths deposit including, at the option of Star, to do all things and take all steps reasonably necessary to complete a Feasibility Study in respect of the Hoidas Lake Project, including, if deemed advisable, to bring the Property (or any part thereof) into Commercial Production, and upon doing so, to Commercially Produce Minerals from the Property, and the Optionor and the Optionee covenant and agree to do so diligently, in good faith and in accordance with good mineral exploration and development practice subject always to the terms and conditions of this Agreement. Without restricting the generality of the foregoing, the Parties acknowledge and agree that the purpose of the activities to be carried out on the Hoidas Lake Project during the Hoidas Lake First Option Period is to identify and define mineral resources of sufficient magnitude in order to complete a Preliminary Economic Assessment of the Hoidas Lake Project in compliance with the requirements of NI 43-101, and that the activities undertaken during the Hoidas Lake First Option Period will be selected and carried out in a manner reasonably compatible with fulfilling this purpose. In addition, without restricting the generality of the foregoing, the Parties acknowledge and agree that the purpose of the activities to be carried out on the Hoidas Lake Project during the Hoidas Lake Second Option Period is to identify and define mineral resources and reserves of sufficient magnitude in order to complete a Feasibility Study of the Hoidas Lake Project in compliance with the requirements of NI 43-101, and that the activities undertaken during the Hoidas Lake Second Option Period will be selected and carried out in a manner reasonably compatible with fulfilling this purpose.

1.10 The Mineral Rights

- (1) This Agreement shall cover the Mineral Rights, and all claim rights acquired during the term hereof which are deemed to form part of the Property pursuant to Article 3 hereof and any mining lease or other mineral property interest into which the same may be converted.

ARTICLE 2 GRANT OF OPTIONS ON HOIDAS LAKE PROJECT

2.1 Hoidas Lake First Option and Hoidas Lake Second Option

- (1) The Optionor hereby grants to the Optionee the irrevocable exclusive right and option to earn and acquire up to a 51% undivided beneficial ownership interest in and to the Hoidas Lake Project (the “**Hoidas Lake Option**”), free and clear of all Liens except for Permitted Liens, in accordance with the terms of this Agreement. The Hoidas Lake Option shall be comprised of:
 - (a) an initial option (the “**Hoidas Lake First Option**”) to earn and acquire a 25% ownership interest in and to the Hoidas Lake Project (the “**Hoidas Lake First Option Interest**”); and
 - (b) a second option (the “**Hoidas Lake Second Option**”) to earn and acquire an additional 26% ownership interest in and to the Hoidas Lake Project contingent upon the completion of the Hoidas Lake First Option (the “**Hoidas Lake Second Option Interest**”),

for an aggregate 51% ownership interest in the Hoidas Lake Project.

ARTICLE 3 AREA OF INTEREST ADDITIONS; EXCISED PROPERTY

3.1 Area of Interest Acquisitions

- (1) If at any time during the term of this Agreement a Party or an Affiliate of a Party (“**Acquiring Party**”) acquires, directly or indirectly, any interest (including any mining claim or concession, licence, permit or other form of mineral tenure and also including Surface Rights) other than an Excluded Interest (as hereinafter defined) in any AOI Property, then the Acquiring Party shall disclose and provide notice of the acquisition together with all information it has relating to the AOI Property (which for certainty shall include all geological and technical information and the staking, acquisition and other costs of the AOI Property) promptly to the other Party (“**Non-acquiring Party**”). Until the Non-acquiring Party makes its election in accordance with Section 3.1(2) below or the AOI Property is excluded from forming part of the Property in accordance with Section 3.1(3) below, any AOI Property shall be held by the Acquiring Party in trust for the Non-acquiring Party. Such trust shall be deemed to end upon the Non-acquiring Party making its election in accordance with Section 3.1(2) below. An “**Excluded Interest**” shall mean any interest in a property in the Area of Interest that would otherwise be an AOI Property except that such property was acquired as a result of a major corporate transaction such as a reverse takeover, takeover, merger or amalgamation or other transaction the primary purpose of which was other than to acquire the property in the Area of Interest. Notwithstanding the foregoing, if an Acquiring Party acquires an Excluded Interest, such acquiring party covenants to use its commercially reasonable efforts to cause any interest in any AOI Property that is an Excluded Interest to be included as Property in this Agreement concurrently with the closing of the Transaction which creates the Excluded Interest.

- (2) At any time within sixty (60) days after the Non-acquiring Party has been given notice of the acquisition of AOI Property by the Acquiring Party in accordance with Section 3.1(1) above, the Non-acquiring Party may by notice in writing to the Acquiring Party elect to make the AOI Property part of the Property, and such AOI Property shall thereafter be Additional Property. If the Optionee is the Non-Acquiring Party and the Optionor is the Acquiring Party and the Optionee elects to make the AOI Property part of the Property, the Optionor shall pay the staking costs, acquisition and other costs incurred by the Optionor in connection with the AOI Property. If the Optionor is the Non-Acquiring Party and the Optionee is the Acquiring Party and the Optionor elects to make the AOI Property part of the Property, the Optionee shall pay the staking costs, acquisition and other costs incurred by the Optionee in connection with the AOI Property.
- (3) If the Non-acquiring Party fails to make an election within the sixty (60) day period referred to in Section 3.1(2) above or if the AOI Property is excluded from forming part of the Hoidas Lake Project in accordance with Section 3.1(2) above, then the AOI Property will not form part of the Property, the Non-acquiring Party shall have no further rights in the AOI Property, the AOI Property will thereafter be excluded from the Area of Interest and the Acquiring Party may deal with the AOI Property as it sees fit in its sole discretion.

3.2 Excised Property

- (1) The Optionor agrees that any part of the Hoidas Lake Project, as the same may be constituted from time to time, shall at the Optionee's request at any time after the Effective Date, be excised from and shall cease to constitute part of the Property for the purposes of this Agreement ("**Excised Property**") and the Agreement shall be amended to reflect the same. Upon receipt of such request by the Optionee, the Optionor shall have 60 days to elect to continue to hold such Excised Property, transfer such Excised Property to an affiliate of the Optionor or abandon the Excised Property (in accordance with applicable law). If the Optionor elects to continue to hold such Excised Property or transfer such Excised Property to an affiliate, the Optionor shall be solely responsible for and shall assume, indemnify and hold the Optionee harmless in respect of any obligation or liability arising out of or in connection with the Excised Property before and up to the date that the Excised Property became part of the Property and after the Excised Property is no longer part of the Property. If notice to excise part of the Hoidas Lake Project is received by the Optionor within 60 days prior to the due date of any payments or concession patent fees required to be paid to maintain the Hoidas Lake Project in good standing, then the date of excision will be the first Business Day following the due date for any such payment or fee and the Optionee shall fund such payment or fee not later than the applicable due date. For greater certainty, nothing shall excuse the Optionee from liability for the period that the Optionee has an interest in the Excised Property.

3.3 Further Assurance

- (1) Each of the Parties will execute and deliver or cause to be executed and delivered such further documents and instruments and give such further assurances as the other may reasonably require to evidence and give effect to any acquisition, registration or transfer of Mineral Rights or Surface Rights contemplated in this Article 3.

3.4 Non-Compliance Constitutes Default

- (1) Non-compliance with the provisions of this Article 3 by an Affiliate, director, officer, employee, agent, representative, contractor or other advisor of a Party will constitute a default under this Agreement by such Party unless such Party can satisfy the other Party that the Affiliate, director,

officer, employee, agent, representative, contractor or other advisor was acting independently and at Arm's Length, without information from or direction by the applicable Party hereto, and that such applicable Party hereto could not reasonably have enforced compliance with the terms hereof by its Affiliate, director, officer, employee, agent, representative, contractor or other advisor in the circumstances.

ARTICLE 4 CONDITIONS PRECEDENT

4.1 Conditions Precedent of the Optionor

- (1) The obligations of the Optionor hereunder will be subject to the satisfaction of each of the following conditions, or waiver thereof by the Optionor:
 - (a) the Parties having obtained by January 31, 2014 all required consents and authorizations reasonably required to carry out the transactions contemplated by this Agreement and the performance of its terms and conditions (other than the approvals of their respective boards of directors, which will have been obtained prior to the execution of this Agreement), including, if necessary, the approval of the TSX Venture in respect of both Star and Great Western, the approval of the shareholders of Star, and the approval of the bondholders of Great Western.
- (2) The conditions precedent in Section 4.1(1) are for the exclusive benefit of the Optionor and cannot be waived unless the Optionor expressly agrees in writing.

4.2 Conditions Precedent of the Optionee

- (1) The obligations of the Optionee hereunder will be subject to the satisfaction of each of the following conditions, or waiver thereof by the Optionee:
 - (a) the Parties having obtained by January 31, 2014 all required consents and authorizations reasonably required for its execution of this Agreement and the performance of its terms and conditions (other than the approvals of its boards of directors, which will have been obtained prior to the execution of this Agreement), including, if necessary, the approval of the TSX Venture in respect of both Star and Great Western, the approval of the shareholders of Star, the approval of the bondholders of Great Western; and
 - (b) the Optionor shall have obtained executed copies of the Voting Agreements for the Bondholder Approval, and provided copies of the Voting Agreements to the Optionee, by December 20, 2013.
- (2) The conditions precedent in Section 4.2(1) are for the exclusive benefit of the Optionee and cannot be waived unless the Optionee expressly agrees in writing.

ARTICLE 5 REPRESENTATIONS AND WARRANTIES

5.1 Mutual Representations and Warranties

- (1) Each Party represents and warrants to the other Party hereto that:
 - (a) it is a body corporate duly incorporated or continued and duly organized and validly subsisting under the Laws of its organizational jurisdiction;

- (b) it has full power and authority to carry on its business and to enter into this Agreement;
- (c) subject to the satisfaction of the conditions precedent applicable to it as specified in Article 4, neither the execution and delivery of this Agreement nor the performance of its obligations hereunder conflict with, result in the breach of or accelerate the performance required by any agreement to which it is a Party;
- (d) the execution and delivery of this Agreement and performance of its obligations hereunder do not violate or result in the breach of the Laws of any jurisdiction applicable to such Party or pertaining thereto or of its organizational documents;
- (e) subject to the satisfaction of the condition precedent applicable to it as specified in Article 4, all corporate authorizations have been obtained for the execution of this Agreement and for the performance of its obligations hereunder; and
- (f) this Agreement constitutes a legal, valid and binding obligation of the Party enforceable against it in accordance with its terms.

5.2 Representations and Warranties of Optionor

- (1) The Optionor represents and warrants to the Optionee that:
 - (a) the Optionor owns a 100% undivided registered and beneficial ownership interest in and to the Hoidas Lake Project free and clear of all Liens except for Permitted Liens;
 - (b) each of the Mineral Rights comprising the Hoidas Lake Project:
 - (i) is fully and accurately described in all material aspects in SCHEDULE A, including any Permitted Liens in relation thereto, and neither the Optionor nor any of its Affiliates has an interest in any other Mineral Rights or Surface Rights or other assets which are located wholly or in part within the Area of Interest related to the Hoidas Lake Project;
 - (ii) is in good standing under the applicable Laws, including the incurring of expenditures and the payment of surface taxes or other monies up to the expiry dates shown in SCHEDULE A;
 - (iii) has been duly and validly staked or otherwise properly and legally acquired by the Optionor in accordance in all material respects with the Laws and regulations of Saskatchewan and the Laws and regulations of Canada applicable therein; and
 - (iv) the Optionor is in exclusive possession of such Mineral Rights to the Hoidas Lake Project other than the 1.8% NSR;
 - (c) the licences, consents and permits held by the Optionor in connection with the Hoidas Lake Project are described in SCHEDULE A and all such licences, consents and permits have been complied with by the Optionor and remain in full force and effect;
 - (d) there are no outstanding agreements or options to acquire or purchase any of the Mineral Rights comprising the Hoidas Lake Project held by any person, no person has any royalty or other interest whatsoever in production therefrom, other than: (i) the 1.8% NSR; and (ii) governmental royalties, and there are no adverse claims or challenges against or to the ownership of or title to any of the Mineral Rights described in SCHEDULE A, nor to the best of its knowledge is there any basis therefor;

- (e) the Optionor has not received notice of and has no knowledge of any proposal to terminate or vary the terms of or rights attaching to any of the Mineral Rights described in SCHEDULE A from any Governmental Authority;
- (f) to the best of the knowledge of the Optionor, there are no adverse claims or challenges of any kind whatsoever, including without limitation, claims or challenges by local, native or aboriginal peoples or other third parties, against or to the ownership of, or title to, Hoidas Lake Project, nor is there any basis therefor;
- (g) the Optionor is not an insolvent person within the meaning of the *Bankruptcy and Insolvency Act* (Canada) and the similar legislation of Saskatchewan and no proceedings are pending for and the Optionor is not aware of any basis for the institution of any proceedings leading to the dissolution or winding-up of the Optionor or the placing of the Optionor into bankruptcy or subjecting the Optionor to any other Laws governing the affairs of insolvent persons, or similar proceedings thereto, nor is there any basis therefor;
- (h) neither the Optionor, nor to the best of the Optionor's knowledge, any other person has directly or indirectly caused, permitted or allowed any hazardous substances to be released, discharged, placed, escaped, leached or disposed of on, into, under or through the Hoidas Lake Project or nearby, except as would not be expected to have a material adverse impact on the Hoidas Lake Project areas and except for other naturally occurring hazardous substances, and, so far as the Optionor is aware, no hazardous substances or underground storage tanks are contained or otherwise present in or upon such lands (including watercourses), except as would not be expected to have a material adverse impact on the Hoidas Lake Project and except for other naturally occurring hazardous substances;
- (i) other than as set out in Part 5.2(1)(i) of the Environmental Matters Schedule, there are no orders or directions relating to environmental matters requiring any reclamation, work, repairs, construction or capital expenditures with respect to any of the Property or the conduct of the business related thereto, nor to the knowledge of the Optionor have any activities on the Hoidas Lake Project been in violation of any environmental law, regulations or regulatory prohibition or order in any material respect, and conditions on and relating to the Hoidas Lake Project are in material compliance with such Laws, regulations, prohibitions and orders;
- (j) the Optionor is legally entitled to hold the Hoidas Lake Project and has good and sufficient right and authority to transfer the interests in the Hoidas Lake Project as contemplated in this Agreement;
- (k) to the best of the knowledge of the Optionor, the Optionor is not in material breach of any law, ordinance, statute, regulation, by-law order or decree of any kind whatsoever, except where such breach would not reasonably be expected to prevent the Optionor from discharging its obligations hereunder;
- (l) to the best of the knowledge of the Optionor, the activities of the Optionor directly or indirectly relating to the Hoidas Lake Project and its use of the Hoidas Lake Project have been materially in compliance with all Laws and regulations of Saskatchewan and the Laws and regulations of Canada applicable therein;
- (m) except to the extent that they would not reasonably be expected to prevent the Optionor from meeting its obligations under this Agreement, to the best of the knowledge of the Optionor, there are no outstanding actions, suits, judgments, investigations or

proceedings or any kind whatsoever against or affecting the Optionor, at law or equity or before any federal, state, municipal or other governmental department, commission, board, bureau or agency of any kind whatsoever nor are there, to the best of the knowledge of the Optionor, any pending or threatened; and

- (n) the Optionor has disclosed and delivered to the Optionee, or will within ten days of the Effective Date, disclose and deliver to the Optionee, all material information and data in its possession or control including without limitation, all historical documentation with respect to title, geological, geophysical and assay results, maps and environmental studies, tests and assessments and notifications from regulatory authorities, concerning the Hoidas Lake Project and prior work carried out thereon.

5.3 Representations and Warranties of the Optionee

- (1) The Optionee represents and warrants to the Optionor that:
 - (a) it has the requisite skill, knowledge, expertise, experience, financial resources and personnel to act as the Operator and to carry out all necessary exploration and development activities on the Hoidas Lake Project as contemplated in this Agreement:
 - (i) in a good and workmanlike manner in accordance with good mining practice;
 - (ii) in full compliance with all municipal, provincial, state and federal Laws and regulations and all orders and requirements of such governmental agencies and regulatory bodies as may from time to time have jurisdiction;
 - (iii) in a manner consistent with policies and procedures used by the Optionee in the conduct and management of its business interests which are separate and apart from the Hoidas Lake Project; and
 - (iv) in accordance with the degree of care, prudence and diligence which would normally be applied by a prudent and qualified operator under the same or similar conditions;
 - (b) it is duly authorized to conduct business and carry out exploration and development activities on the Hoidas Lake Project in the jurisdiction in which the Hoidas Lake Project is located;
 - (c) holds all necessary licences, permits and authorities to carry out all necessary exploration and development activities on the Hoidas Lake Project as contemplated in this LOI and to act as Operator;
 - (d) the Optionee is not an insolvent person within the meaning of the Bankruptcy and Insolvency Act (Canada) and the similar legislation of Saskatchewan and no proceedings are pending for and the Optionee is not aware of any basis for the institution of any proceedings leading to the dissolution or winding up of the Optionee or the placing of the Optionee into bankruptcy or subjecting the Optionee to any other Laws governing the affairs of insolvent persons, or similar proceedings thereto, nor is there any basis therefor;
 - (e) to the best of the knowledge of the Optionee, the Optionee is not in material breach of any Law, ordinance, statute, regulation, by-law order or decree of any kind whatsoever, except where such breach would not reasonably be expected to prevent the Optionee from discharging its obligations hereunder; and

- (f) except to the extent that they would not reasonably expected to prevent the Optionee from meeting its obligations under this Agreement, to the best of the knowledge of the Optionee, there are no outstanding actions, suits, judgments, investigations or proceedings or any kind whatsoever against or affecting the Optionee, at law or equity or before any federal, state, municipal or other governmental department, commission, board, bureau or agency of any kind whatsoever nor are there, to the best of the knowledge of the Optionee, any pending or threatened.

5.4 Environmental Matters Covenant

- (1) Until the Hoidas Lake First Option Exercise Date, the Optionor acknowledges and agrees that it is solely responsible for the obligations and liabilities described in Part 5.2(1)(i) of the Environmental Matters Schedule. After the Hoidas Lake First Option Exercise Date, each Party will be responsible for the obligations and liabilities described in Part 5.2(1)(i) of the Environmental Matters Schedule according to their respective Hoidas Lake Joint Venture Interest.
- (2) Notwithstanding Section 5.4(1), the Optionee will (i) contribute 25% (twenty-five percent) of the cost of applicable portions of any Program (whether a voluntary Program or required by any Governmental Authority) in respect of the obligations and liabilities described in Part 5.2(1)(i) of the Environmental Matters Schedule until the Hoidas Lake First Option Exercise Date; and (ii) pay 100% (one hundred percent) of the cost of the storage of the bulk sample referred to therein during the term of the Hoidas Lake Option.

5.5 Survival of Representations, Warranties and Covenants

- (1) The representations, warranties, covenants and agreements contained in this Agreement are conditions on which the Parties have relied in entering into this Agreement and will survive the execution hereof and the acquisition of any interest in the Property by the Optionee hereunder. A Party may waive any of such representations, warranties, covenants, agreements or conditions that are for its benefit in whole or in part at any time without prejudice of its right in respect of any other breach of the same or any other representation, warranty, covenant, agreement or condition.

ARTICLE 6 OPTION TERMS

6.1 Hoidas Lake First Option

- (1) The Optionee (or its designated Affiliate) shall, in order to exercise the Hoidas Lake First Option and earn and acquire the Hoidas Lake First Option Interest, at any time, within the two (2) year period following the Effective Date, but subject to earlier termination in accordance with Article 10 (the “**Hoidas Lake First Option Period**”), incur or fund Expenditures on the Hoidas Lake Project in order to complete and file on SEDAR in compliance with NI 43-101 a Preliminary Economic Assessment in respect of the Hoidas Lake Project (the “**Hoidas Lake First Option Program**”). For greater certainty, upon the date of the completion and filing on SEDAR in compliance with NI 43-101 of the Preliminary Economic Assessment in respect of the Hoidas Lake Project (such date, the “**Hoidas Lake First Option Exercise Date**”), the Optionee will, without further action, be deemed to have fully and properly exercised the Hoidas Lake First Option and at such time the Hoidas Lake First Option Interest shall vest in and be owned by the Optionee absolutely, free and clear of all Liens except for Permitted Liens, in accordance with the terms of this Agreement.

- (2) The Hoidas Lake First Option and the Hoidas Lake Second Option will both expire in accordance with Article 10 if the Hoidas Lake First Option Interest is not earned within the Hoidas Lake First Option Period.
- (3) All Expenditures, costs and expenses whatsoever incurred in connection with the Hoidas Lake First Option Program shall be for the exclusive account of, and incurred and paid for by, the Optionee.
- (4) Subject to Section 5.4, the Optionee covenants to make and pay any and all costs, fees or expenses whatsoever required to maintain the Hoidas Lake Project in good standing during the Hoidas Lake First Option Period, including any and all Community Relations Expenditures and any and all Government Fees due during such period, and all such costs fees and expenses shall be for the exclusive account of, and incurred and paid for by, the Optionee.
- (5) Notwithstanding Section 6.1(4), during the Hoidas Lake First Option Period, the Operator shall not cause the Hoidas Lake Joint Venture to incur:
 - (a) any costs (including reclamation, remediation or closure);
 - (b) pay any reclamation, remediation or closure expenses; or
 - (c) otherwise incur obligations or pay any costs, fees or expenses,in respect of Section 5.4, or in respect of the obligations and liabilities described in Part 5.2(1)(i) of the Environmental Matters Schedule, unless a unanimous decision of all members of the JV Management Committee has been made to take such action or a Governmental Authority has directed such action.
- (6) No Expenditures made by the Optionee pursuant to Section 6.1(1), Section 6.1(3) or Section 6.1(4) of this Agreement shall be refundable to the Optionee by the Optionor under any circumstances unless such payments have been made fraudulently or illegally as a direct result of the Optionor's actions.
- (7) The Optionee will be responsible for all environmental liabilities resulting from all activities conducted during the Hoidas Lake First Option Period.

6.2 Hoidas Lake Second Option

- (1) The Optionee (or its designated Affiliate) shall, in order to exercise the Hoidas Lake Second Option and earn and acquire the Hoidas Lake Second Option Interest, at any time, within the four (4) year period commencing on the Hoidas Lake First Option Exercise Date, but subject to earlier termination in accordance with Article 10 (the "**Hoidas Lake Second Option Period**"), incur or fund Expenditures on the Hoidas Lake Project in order to complete and file on SEDAR in compliance with NI 43-101 a Feasibility Study in respect of the Hoidas Lake Project (the "**Hoidas Lake Second Option Program**"). For greater certainty, upon the date of the completion and filing on SEDAR in compliance with NI 43-101 of the Feasibility Study in respect of the Hoidas Lake Project (such date, the "**Hoidas Lake Second Option Exercise Date**"), the Optionee will, without further action, be deemed to have fully and properly exercised the Hoidas Lake Second Option and at such time the Hoidas Lake Second Option Interest shall vest in and be owned by the Optionee absolutely, free and clear of all Liens except for Permitted Liens, in accordance with the terms of this Agreement.
- (2) The Hoidas Lake Second Option will expire in accordance with Article 10 if the Hoidas Lake Second Option Interest is not earned within the Hoidas Lake Second Option Period.

- (3) All Expenditures, costs and expenses whatsoever incurred in connection with the Hoidas Lake Second Option Program shall be for the exclusive account of, and incurred and paid for by, the Optionee.
- (4) Subject to Section 5.4, the Optionee covenants to make and pay any and all costs, fees or expenses whatsoever required to maintain the Hoidas Lake Project in good standing during the Hoidas Lake Second Option Period, including any and all Community Relations Expenditures and any and all Government Fees due during such period, and all such costs fees and expenses shall be for the exclusive account of, and incurred and paid for by, the Optionee.
- (5) Notwithstanding Section 6.2(4), during the Hoidas Lake Second Option Period, the Operator shall not cause the Hoidas Lake Joint Venture to incur:
 - (a) any costs (including reclamation, remediation or closure);
 - (b) pay any reclamation, remediation or closure expenses; or
 - (c) otherwise incur obligations or pay any costs, fees or expenses,in respect of Section 5.4, or in respect of the obligations and liabilities described in Part 5.2(1)(i) of the Environmental Matters Schedule, unless a unanimous decision of all members of the JV Management Committee has been made to take such action or a Governmental Authority has directed such action.
- (6) No Expenditures made by the Optionee pursuant to Section 6.2(1), Section 6.2(3) or Section 6.2(4) of this Agreement shall be refundable to the Optionee by the Optionor under any circumstances unless such payments have been made fraudulently or illegally as a direct result of the Optionor's actions.
- (7) The Optionee will be responsible for all environmental liabilities resulting from all exploration activities incurred during the Hoidas Lake Second Option Period in addition to the accrued liabilities from the Hoidas Lake First Option Period.
- (8) On the Hoidas Lake Second Option Exercise Date, the registered title to the Hoidas Lake Joint Venture Assets shall be transferred to the Operator as at such date in accordance with Section 8.2(2) to be held in trust for the Parties in accordance with their respective Hoidas Lake Joint Venture Interest.

6.3 Options Only

- (1) For greater certainty, the Optionee has acquired options only and all actions necessary to be taken to exercise such options, including the making of Expenditures and the delivery of a Preliminary Economic Assessment or Feasibility Study, are entirely at the discretion of the Optionee, provided that the Expenditures to be incurred by the Optionee as set forth in Section 6.1(4) and Section 6.2(4) are mandatory and non-discretionary.

ARTICLE 7 OPERATIONS DURING THE HOIDAS LAKE OPTION PERIOD

7.1 Operator

- (1) Subject to Section 5.1 and Section 5.2 of the Hoidas Lake JV Agreement, the Optionee will act as the operator (the "**Operator**") in respect of the Hoidas Lake Project and the Optionee will be

appointed as the initial Operator of the Hoidas Lake Project upon the satisfaction or waiver of the conditions set out in Article 4.

- (2) During the Hoidas Lake Option Period, the Operator will present Programs and Budgets to the JV Management Committee for review and approval in accordance with the Hoidas Lake JV Agreement.
- (3) During the Hoidas Lake Option Period, all Expenditures, costs and expenses whatsoever incurred by the Operator in connection with the Hoidas Lake Joint Venture shall be contracted for in the Optionee's name for the exclusive account of, and incurred and paid for by, the Optionee, provided that the Optionee shall direct any author of any reports prepared in accordance with NI 43-101 that such reports shall be addressed to the Optionor and the Optionee.

7.2 JV Management Committee and Operations During the Hoidas Lake Option Period

- (1) The formation and composition of the JV Management Committee, as well as actions and decisions taken in respect of the Property during the transition period from the LOI execution to the Effective Date, shall be ratified by the Parties on the Effective Date. During the Hoidas Lake First Option Period, the JV Management Committee shall be comprised of five representatives, three of whom shall be appointed by the Optionee and two of whom shall be appointed by the Optionor. During the Hoidas Lake Second Option Period, the JV Management Committee shall be comprised of four representatives, two of whom shall be appointed by the Optionee and two of whom shall be appointed by the Optionor.
- (2) Subject to Section 6.1(5) and Section 6.2(5), during the Hoidas Lake Option Period, all decisions made or actions taken by the JV Management Committee shall be approved by a simple majority of the members of the JV Management Committee at a meeting of the JV Management Committee or by written consensus resolutions signed by all members of JV Management Committee all as more particularly set forth in the Hoidas Lake JV Agreement. Quorum for a meeting of the JV Management Committee shall be as set forth in Section 4.5(1) of the Hoidas Lake JV Agreement.
- (3) During the Hoidas Lake Option Period, the JV Management Committee is empowered to make all strategic and planning decisions regarding the Hoidas Lake Joint Venture in accordance with the Hoidas Lake JV Agreement, including, without limitation, the preparation of a Preliminary Economic Assessment, pre-feasibility study or Feasibility Study.
- (4) During the Hoidas Lake Option Period, the specific Mining Operations, Expenditures and Community Relations Expenditures, if any, to be carried out during the Hoidas Lake Option Period will be determined by the JV Management Committee in accordance with the Hoidas Lake JV Agreement and will be carried out by the Operator of the Hoidas Lake Project.
- (5) During the Hoidas Lake Option Period, meetings of the JV Management Committee will be held quarterly (or at such other intervals as the Parties may agree) and will be called on thirty (30) days' notice by the Operator. Either Party may on ten (10) days' notice call an ad hoc meeting of the JV Management Committee. Either Party may on two (2) days' notice call an emergency meeting of the JV Management Committee. For each meeting other than an emergency meeting, an agenda shall, at least seven (7) days prior to that meeting, be distributed to the Parties by the person calling that meeting. The Operator shall cause minutes of each meeting to be taken and distributed to the Parties for comments within seven (7) days subsequent to that meeting and will be the subject of approval at the next meeting or written consensus resolutions. Any member of

the JV Management Committee may attend any meeting by conference telephone, so long as all attendees at that meeting can hear and be heard by all other attendees.

- (6) The Optionor will provide the Optionee, at the sole cost and expense of the Optionee, with such assistance as reasonably required to obtain appropriate permits in connection with exploration and development activities on the Property.

ARTICLE 8 OBLIGATIONS OF THE OPERATOR

8.1 Operator's Obligations

- (1) The Operator's obligations shall be as set forth in the Hoidas Lake JV Agreement, including, without limitation, Section 5.3 of the Hoidas Lake JV Agreement.

8.2 Registered Title

- (1) During the Hoidas Lake Option Period the Optionor will remain the registered holder of the Hoidas Lake Claims and any Mineral Rights and Surface Rights comprised in any Additional Property and will hold title to the Hoidas Lake Claims and any Mineral Rights and Surface Rights comprised in any Additional Property subject to this Agreement.
- (2) Upon earning by the Optionee of the Hoidas Lake Second Option Interest, the title to the Hoidas Lake Claims and any Mineral Rights and Surface Rights comprised in any Additional Property whether acquired before or after the Effective Date, will be transferred to and held by the Operator as at such date who shall then hold such Hoidas Lake Claims and any Mineral Rights and Surface Rights comprised in any Additional Property in trust for the Parties in proportion to their respective Hoidas Lake Joint Venture Interests for the time being and from time to time. All such Hoidas Lake Claims and any Mineral Rights and Surface Rights comprised in any Additional Property held by the Operator must be held, used, dealt with or applied solely for the purposes of the Hoidas Lake Joint Venture or as otherwise permitted under this Agreement.
- (3) Each Party covenants and agrees to use all commercially reasonable efforts, to the extent permissible under applicable Laws, to have each Party's Hoidas Lake Joint Venture Interest registered, caveated or otherwise reflected on title of the registered holder of the Hoidas Lake Claims and any Mineral Rights and Surface Rights comprised in any Additional Property.

ARTICLE 9 ACCESS TO THE PROPERTY AND INFORMATION RELATING TO THE PROPERTY

9.1 Access of Operator, Optionee and Optionor

- (1) The Operator will have full right, power and authority to do everything necessary or desirable to carry out work Programs approved by the JV Management Committee on the Hoidas Lake Project, and subject to the right of the Parties and their respective representatives, each at their own risk and expense, to have access to the Hoidas Lake Project at all reasonable times for the purpose of inspecting work being done on the Hoidas Lake Project.
- (2) During the Hoidas Option Period, the Optionee shall, subject to the Optionor's right to enter upon the Hoidas Lake Project in accordance with Section 9.1(3), have the sole and exclusive possession of the Property in order for the Optionee to:
 - (a) enter in, under and upon the Hoidas Lake Project;

- (b) carry out such work on the Hoidas Lake Project to allow the Optionor to satisfy the conditions of the Hoidas Lake Option; and
 - (c) to remove minerals or metals from the Hoidas Lake Project in reasonable quantities for the purpose of obtaining assays or making other tests.
- (3) During the Hoidas Lake Option Period, the directors, officers, employees and designated consultants and agents of the Optionor, at its own cost and risk, shall be permitted access to the Hoidas Lake Project at all reasonable times and upon reasonable notice to the Operator; provided that the Optionor will indemnify the Operator against and save it harmless from all costs, claims, liabilities and expenses that the Operator may incur or suffer as a result of any injury (including injury causing death) to any director, officer, employee, designated consultant or agent of the Optionor while on the Hoidas Lake Project except to the extent that any such costs, claims, liabilities or expenses result from the Operator's gross negligence or wilful misconduct; further provided that such access shall not materially interfere with or impair the Operator's Mining Operations.
- (4) The Optionee's rights pursuant to this Article 9 will at all times be subject to any restrictions that may be required by applicable Laws or by regulatory authority and to rights of entry and access reserved to the Optionor hereunder.

9.2 The Parties' Covenants to Provide Information Relating to the Property

- (1) Each of the Parties covenant to provide during the Option Period copies of, or make available to the other Party, all material information in its possession or under its control (whether in tangible or electronic form) relating to the Property as the other Party may reasonably request, the Parties having agreed that Section 13.1 shall apply to all information provided by a Party, or otherwise made available by a Party, to the other Party pursuant to this Section 9.2(1).

ARTICLE 10 TERMINATION

10.1 Conditions of Termination

- (1) This Agreement may be terminated by mutual written consent of both Parties.
- (2) The Optionee may terminate the Hoidas Lake Option at any time upon providing the Optionor with written Notice as set forth in Article 24 at least 30 days prior to the date of termination set forth in such Notice. Upon providing such Notice, the Hoidas Lake Option shall terminate on the date set forth in such Notice unless such date of termination provided in the Notice is within 20 Business Days prior to the due date of any property maintenance payments as well as all Expenditures, costs, fees or obligations whatsoever required to be paid to maintain the Hoidas Lake Project in good standing. If the date of termination set forth in such Notice is within such 20 Business Day period, then the date of termination will be the first Business Day following the due date for any such payment or other obligation provided that the Optionee shall fund such payment or other obligation not later than the applicable due date.
- (3) If, during the Hoidas Lake First Option Period, the Optionee fails to satisfy the requirements set forth in Section 6.1(1) above, then the Hoidas Lake Option shall terminate and the Optionee shall have no interest in the Hoidas Lake Project.
- (4) If, during the Hoidas Lake Second Option Period, the Optionee fails to satisfy the requirements set forth in Section 6.2(1) above, then the Hoidas Lake Second Option shall terminate and the

Optionee's Hoidas Lake Joint Venture Interest in the Hoidas Lake Project shall remain at 25%, subject to further dilution in the event the Optionee does not fund the Hoidas Lake Joint Venture in accordance with the provisions hereof or the Hoidas Lake JV Agreement.

- (5) The Optionor may terminate this Agreement if the condition set forth in Section 4.1(1)(a) is not satisfied by January 31, 2014.
- (6) The Optionee may terminate this Agreement if the condition set forth in Section 4.2(1)(a) is not satisfied by January 31, 2014.
- (7) The Optionee may terminate this Agreement if the condition set forth in Section 4.2(1)(b) is not satisfied by December 20, 2013.
- (8) Subject to Section 10.1(9) and 10.1(10) below, following termination of this Agreement in accordance with the provisions hereof, neither Party shall have any further liabilities arising hereunder other than for a breach of any confidentiality provisions of this Agreement or for a breach of the provisions of the Hoidas Lake JV Agreement.
- (9) The Optionee shall have no liability to the Optionor from and after the date of the termination of this Agreement or the Hoidas Lake Option other than:
 - (a) in respect of Expenditures, costs, fees, obligations and expenses previously incurred or requested by the Optionee to any party in respect of the Hoidas Lake Joint Venture and which are outstanding or accruing as at the date of termination of this Agreement or the Hoidas Lake Option;
 - (b) in respect of the remediation of any environmental liabilities incurred on the Hoidas Lake Project during the Hoidas Lake Option Period prior to the date of termination while the Optionee was the Operator provided that the Optionee shall have no liability to the Optionor for any environmental liabilities incurred on the Hoidas Lake Project caused by or directly resulting from the gross negligence of the Optionor during the Hoidas Lake Option Period;
 - (c) in respect of the remediation of any environmental liabilities incurred on the Hoidas Lake Project during the Hoidas Lake Option Period prior to the date of termination of this Agreement while the Optionee was the Operator, provided that the Optionee shall have no liability to the Optionor for any environmental liabilities incurred on the Hoidas Lake Project during the Hoidas Lake First Option Period that relate to the obligations and liabilities described in Part 5.2(1)(i) of the Environmental Matters Schedule unless such liabilities were the subject Subsection 5.4(2); and
 - (d) where such obligation or liability is specifically stated to survive the termination of this Agreement or the Hoidas Lake JV Agreement.
- (10) Nothing in Section 10.1(2), 10.1(8) or 10.1(9) is intended to affect or adjust the rights and obligations of the Parties pursuant to the Hoidas Lake JV Agreement in the event that such Party holds a Hoidas Lake Joint Venture Interest, including without limitation the obligations of the Parties in Section 5.4.
- (11) Upon the termination of the Hoidas Lake First Option, the Hoidas Lake Second Option, the Hoidas Lake Option or this Agreement pursuant to this Article 10, the Hoidas Lake First Option Period, the Hoidas Lake Second Option Period and the Hoidas Lake Option Period shall also terminate, as applicable.

**ARTICLE 11
ROFR FOR GREAT WESTERN TO OFFTAKE ANY MINERALS**

11.1 Great Western Offtake ROFR

- (1) Great Western shall be granted a right of first refusal as set forth in SCHEDULE C to purchase any intermediate or final Minerals produced from the Hoidas Lake Project if such product is to be sold to a third party.

**ARTICLE 12
FORMATION OF HOIDAS LAKE JOINT VENTURE**

12.1 Hoidas Lake JV Agreement

- (1) Upon the execution of this Agreement, the Parties will be deemed to have entered into the Hoidas Lake Joint Venture which shall be constituted on the basis of this Agreement and according to the terms set out in SCHEDULE C to this Agreement.
- (2) As further set forth in the Hoidas Lake JV Agreement, as between Star and Great Western, the rights, duties, obligations and liabilities arising out of the Hoidas Lake Joint Venture will be several and not joint, it being the express purpose and intention of Star and Great Western that the ownership of their respective interests in all Hoidas Lake Joint Venture Assets will be as tenants in common in proportion to their Hoidas Lake Joint Venture Interests. Notwithstanding the above, during the Hoidas Lake Option Period, all Expenditures, costs and expenses whatsoever incurred in connection with the Hoidas Lake Joint Venture shall be for the exclusive account of, and incurred and paid for by, the Optionee.

**ARTICLE 13
CONFIDENTIALITY AND CONTINUOUS DISCLOSURE**

13.1 Confidential Information and Access to Information

- (1) Except as mutually agreed to by the Parties in writing or as required by applicable securities legislation or regulation, or by any stock exchange having jurisdiction over a Party or its affiliates, each Party shall treat all information connected with or pertaining to the Hoidas Lake Joint Venture and this Agreement as strictly confidential.
- (2) The Optionor and the Optionee recognize the existence of continuous and timely disclosure requirements under the securities regulatory regimes in which they operate. Accordingly, during the Hoidas Lake Option Period, the Optionee expressly undertakes to grant to the Optionor the right to access information as required on a timely basis, including but not limited to the following:
 - (a) a quarterly report within 30 days of quarter end summarizing the key work activities conducted in relation to the Hoidas Lake Project during the period;
 - (b) a quarterly report within 30 days of quarter end detailing the financial results of the period and an audited annual report within 60 days of annual year end, both based on generally accepted accounting principles;
 - (c) drilling results as they are received, together with supporting drilling maps, sections, plans, etc.;

- (d) technical reports as they become available, and reasonable access to the authors and other third Party consultants of such reports; and
 - (e) any and all such other information as the Optionor may reasonably request access to in order to meet its disclosure obligations under applicable Laws.
- (3) Notwithstanding the foregoing, either Party hereto (in this Section, the “**Disclosing Party**”) may disclose information relating to the Hoidas Lake Joint Venture and this Agreement to a third party (in this Section, the “**Receiving Party**”) in order to facilitate the Receiving Party’s due diligence review of the Disclosing Party and its operations in connection with a potential business transaction between the Disclosing Party and the Receiving Party, provided that the Disclosing Party must require the Receiving Party to enter into an industry-standard confidentiality agreement with respect to such disclosed information which provides that the Receiving Party will treat all disclosed information confidentially, and will not use such information for any purpose other than evaluating a potential transaction between the Disclosing Party and the Receiving Party.
- (4) All public announcements will require the prior approval of both Parties, such approval to be within 24 hours of receipt by the approving Party and not to be unreasonably withheld or delayed. Notwithstanding the foregoing, if a Party must publicly announce any of the transactions contemplated herein or any other matter relating to the Hoidas Lake Project earlier than such 24 hour period, such Party shall use commercially reasonable efforts to apprise the other Party thereof and provide a draft of such disclosure as soon as possible, and such other Party shall use commercially reasonable efforts to review and approve such disclosure such that such Party may disseminate such public announcement within the time required under applicable Laws or stock exchange rules.

13.2 Information in Public Domain

- (1) The provisions of this Article 13 do not apply to information which is or becomes part of the public domain other than through a breach of the terms hereof.

13.3 Request to Disclose

- (1) Where a request is made for permission to disclose confidential information hereunder otherwise than for the purposes described in Section 13.1(2) and Section 13.1(3), a reply thereto will be made within three (3) Business Days after receipt of such request, failing which the Party requesting will be entitled to disclose such information in the limited circumstances specified in such request as if such consent had been given.

ARTICLE 14 GOOD FAITH DEALINGS

14.1 Parties Agree to Act in Good Faith

- (1) The Parties agree to proceed diligently and in good faith to satisfy the terms and conditions of this Agreement.

14.2 Bondholder Voting Agreements

- (1) The Optionor shall use its reasonable commercial efforts to obtain by December 20, 2013 executed voting agreements from the holders of the Optionor's bonds (the "**Voting Agreements**") in such an amount that the approval ("**Bondholder Approval**") of this Agreement and the Hoidas Lake JV Agreement by such holders of the Optionor's bonds may be obtained by January 31, 2014.

ARTICLE 15 PUBLIC DISCLOSURE

15.1 Material Change

- (1) The execution of this Agreement may be considered a Material Change for the Optionor and/or the Optionee and, if so, will, subject to Article 13 of this Agreement, require public disclosure.

ARTICLE 16 BINDING PROVISIONS

16.1 Provisions Binding on the Parties

- (1) The Parties intend that the provisions of this Agreement are to be binding on the Parties including their respective successors and permitted assigns.

ARTICLE 17 INDEMNITY

17.1 Indemnity of the Optionee

- (1) The Optionor shall indemnify and save harmless the Optionee Indemnified Parties from and against any Losses, whether direct or indirect, which at any time or from time to time are directly or indirectly incurred or suffered by any of the Optionee Indemnified Parties in connection with, as a result of or arising out of:
 - (a) any misrepresentation or untrue warranty of the Optionor or a breach by the Optionor of any of its obligations under this Agreement;
 - (b) during the Hoidas Lake First Option Period, the imposition of any obligations pursuant to any Laws directly or indirectly relating to the environment (including reclamation, remediation or closure), the taking of steps by or on behalf of any of the Optionee Indemnified Parties to protect against or in connection with the remediation (including reclamation or closure) of any environmental harm, or any liability of any of the Optionee Indemnified Parties for any harm, damage, degradation or adverse effect on the environment (collectively being "**Environmental Harm**"), insofar as such performance, taking of steps or liability may directly or indirectly relate to conditions existing on the Property or any of it prior to the date of this Agreement; provided that the indemnity contained in this Section 17.1(1)(b) shall not apply to the extent, if any, that such Losses are the direct consequence of or superseded by the activities, acts or omissions after the date of this Agreement of the Optionee or any of its officers, directors, employees, agents, representatives, or subcontractors or are subject to Section 5.4; or

- (c) with the exception of any Losses caused by the gross negligence or wilful misconduct of the Optionee or its Affiliates, any injury (including injury causing death) of any director, officer, employee, agent, representative or subcontractor of the Optionor while on the Property.
- (2) For greater certainty, no termination of this Agreement shall disentitle any of the Optionee Indemnified Parties from obtaining indemnification from the Optionor pursuant to Section 17.1 and Section 17.1 shall survive the termination of this Agreement or the termination of the Hoidas Lake Option.

17.2 Indemnity of the Optionor

- (1) The Optionee shall indemnify and save harmless the Optionor Indemnified Parties from and against any Losses, whether direct or indirect, which at any time or from time to time are directly or indirectly incurred or suffered by any of the Optionor Indemnified Parties in connection with, as a result of or arising out of:
 - (a) any misrepresentation or untrue warranty of the Optionee or a breach by the Optionee or of any of its obligations under this Agreement;
 - (b) during the Hoidas Lake Option Period, the imposition of any obligations pursuant to any Laws directly or indirectly relating to the environment (including reclamation, remediation or closure), the taking of steps by or on behalf of any of the Optionor Indemnified Parties to protect against or in connection with the remediation (including reclamation or closure) of any Environmental Harm, or any liability of any of the Optionor Indemnified Parties for any Environmental Harm, insofar as such performance, taking of steps or liability may directly or indirectly relate to conditions existing on the Property or any of it after the date of this Agreement arising from the Optionee's interest in or activities pursuant to this Agreement; provided that, during the Hoidas Lake First Option Period, the indemnity contained in this Section 17.2(1)(b) shall not apply to the extent, if any, that such Losses are both: (i) the direct consequence of the activities, acts or omissions prior to the date of this Agreement of the Optionor or any of its officers, directors, employees, agents, representatives, or subcontractors; and (ii) are not the direct consequence of or superseded by the activities, acts or omissions after the date of this Agreement of the Optionee or any of its officers, directors, employees, agents, representatives, or subcontractors; or
 - (c) with the exception of any Losses caused by the gross negligence or wilful misconduct of the Optionor or its Affiliates, any injury (including injury causing death) of any director, officer, employee, agent, representative or subcontractor of the Optionee while on the Property.
- (2) For greater certainty, no termination of this Agreement shall disentitle any of the Optionor Indemnified Parties from obtaining indemnification from the Optionee pursuant to Section 17.2 and Section 17.2 shall survive the termination of this Agreement or the termination of the Hoidas Lake Option.

**ARTICLE 18
EXPENSES AND COMMISSION**

18.1 Parties Responsible for Costs

- (1) Each Party will be responsible for its own costs and charges incurred with respect to the preparation of this Agreement, including all related legal, accounting and brokers or finder's fees and disbursements.

**ARTICLE 19
CURRENCY**

19.1 Canadian Dollars

- (1) Unless otherwise specified, all dollar amounts expressed in this Agreement are in the currency of the Canadian dollars.

**ARTICLE 20
COUNTERPARTS**

20.1 Execution of Counterparts

- (1) This Agreement may be executed in any number of counterparts. Each counterpart is an original but the counterparts together are one and the same document. A copy of a counterpart sent by facsimile machine or by electronic mail:
- (f) shall be treated as an original counterpart;
 - (b) is sufficient evidence of the execution of the original; and
 - (c) may be produced in evidence for all purposes in place of the original.

**ARTICLE 21
TRANSFERS**

21.1 Limitations on Transfers

- (1) Except if permitted under and in accordance with this Agreement, no Party will transfer, convey, assign, mortgage, pledge or grant an option in respect of or grant a right to purchase or in any manner transfer, alienate or otherwise dispose of (in this Article to "**Transfer**") any or all of its interest in the Hoidas Lake Joint Venture, the Hoidas Lake Joint Venture Assets, the Dilution Out NSR (if applicable) or transfer or assign any of its rights under this Agreement.

21.2 Right of First Offer

- (1) If a Party (in this Article 21 the "**Transferring Party**") wishes to Transfer any or all of its interest in the Hoidas Lake Joint Venture, the Hoidas Lake Joint Venture Assets, the Dilution Out NSR (if applicable) or transfer or assign any of its rights under this Agreement (in this Article 21, the "**Holdings**") other than as contemplated under Section 21.3, then, prior to any such transfer, it must offer to Transfer the Holdings to the other Party, for consideration and upon such other terms and conditions as the Transferring Party deems fit (in this Section 21.2(1), the "**Offer**"). If the other Party accepts the Offer within the 60-day period following the receipt

of the Offer, then the Transfer will be concluded no later than 90 days after such acceptance. If the other Party does not accept the Offer within such 60-day period, then the Transferring Party will be free to Transfer the Holdings to a third Party at any time after the expiry of such 60-day period and prior to the expiry of the succeeding 90-day period, but only for a consideration equal to or greater than the consideration stated in the Offer and upon other terms and conditions no less favourable to the Transferring Party than those contained in the Offer. If the Transferring Party's Transfer of the Holdings to the other Party or to a third Party is not concluded prior to the expiry of such 90-day period as aforesaid, any subsequent Transfer by the Transferring Party will be subject to the provisions of this Section 21.2(1).

21.3 Exceptions

- (1) Nothing in Section 21.2(1) applies to or restricts in any manner:
 - (g) a disposition by the Transferring Party of all or a portion of its Holdings and a transfer or assignment of a proportionate interest in this Agreement to an Affiliate of the Transferring Party, provided that such Affiliate first assumes and agrees to be bound by the terms of this Agreement and, to the extent applicable, any underlying property agreements and agrees with the other Party in writing to retransfer such interests to the Transferring Party before ceasing to be an Affiliate of the Transferring Party; or
 - (b) an amalgamation or corporate reorganization involving the Transferring Party which has the effect in law of the amalgamated or surviving corporation possessing all the property, rights and interests and being subject to all the debts, liabilities and obligations of each amalgamating or predecessor corporation; or
 - (c) a sale, forfeiture, charge, withdrawal, transfer or other disposition or encumbrance which is otherwise specifically required or permitted under this Agreement.

21.4 Conditions of Transfers

- (1) As a condition of any Transfer other than to another Party, the transferee must covenant and agree to be bound by this Agreement and, if applicable, the Hoidas Lake JV Agreement, including this Article 21, and prior to the completion of any such Transfer, the Transferring Party must deliver to the other Party evidence thereof in a form satisfactory to such other Party. Notwithstanding any such Transfer, the Transferring Party will remain liable for all of its obligations hereunder, unless the Holdings have been Transferred to a third Party pursuant to Section 21.2(1).

21.5 Partial Transfers

- (1) If the Transferring Party Transfers less than all of its entire interest in its Holdings, the Transferring Party and its transferee shall act and be treated as one Party and, for such Transfer to be effective, the Transferring Party must first deliver to the other Party the agreement in writing of the Transferring Party and its transferee in favour of the other Party in which:
 - (h) as between the Transferring Party and the transferee, the one of them who is authorized to act as the sole agent (in this Section 21.5(1) the "**Agent**") on behalf of both of them with respect to all matters pertaining to this Agreement is designated;
 - (b) the Transferring Party and its transferee agree between each other and jointly represent and warrant to other Party that:

- (i) the Agent has the sole authority to act on behalf of, and to bind, the Transferring Party and its transferee with respect to all matters pertaining to this Agreement;
- (ii) the other Party may rely on all decisions of, notices and other communications from, and failures to respond by, the Agent, as if given (or not given) by both the Transferring Party and its transferee; and
- (iii) all decisions of, notices and other communications from, and failures to respond by, the other Party to the Agent shall be deemed to have been given (or not given) concurrently to the Transferring Party and its transferee.

ARTICLE 22 FORCE MAJEURE

22.1 No Obligation to Perform When Force Majeure

- (1) Notwithstanding any other provisions contained herein other than Section 22.2(1), a Party will not be liable for its failure to perform any of its obligations under this Agreement if the performance thereof is prevented due to Force Majeure.

22.2 Exception for Certain Payments

- (1) Notwithstanding any other provision of this Agreement, property maintenance payments as well as all obligations to maintain the Hoidas Lake Project in good standing will be required to be made regardless of a Force Majeure situation, unless mutually agreed otherwise by the Optionee and the Optionor.

22.3 Effect of Force Majeure

- (1) Subject to Section 22.2(1), all time limits imposed by this Agreement (including, without limitation, the time within which Expenditures are to be made or payments are to be made) will be extended by a period equivalent to the period of delay resulting from a Force Majeure, provided that the extension of the time limit to exercise the Hoidas Lake First Option shall not be so extended by greater than one (1) year and the Hoidas Lake Second Option shall not be so extended by greater than two (2) years.

22.4 Obligation to Remove Force Majeure

- (1) A Party relying on the provisions of this Article 22 will take all reasonable steps to eliminate any Force Majeure and, if possible, will perform its obligations under this Agreement as far as practical, but nothing herein will require such Party to settle or adjust any labour dispute or to question or to test the validity of any law, rule, regulation or order of any duly constituted court or governmental authority or to complete its obligations under this Agreement if a Force Majeure renders completion impossible.

22.5 Giving Notice

- (1) A Party relying on the provisions of this Article 22 will give notice to the other Party forthwith upon the earlier of the event of Force Majeure becoming reasonably foreseeable or the occurrence of the Force Majeure and forthwith after the end of the period of delay when such Force Majeure has been eliminated or rectified.

ARTICLE 23 ARBITRATION

23.1 Single Arbitrator

- (1) Any and all claims, disputes, questions or controversies involving the Parties arising out of or in connection with this Agreement (collectively, “**Disputes**”) that cannot be finally resolved by such Parties within sixty days of arising by good-faith negotiation shall be resolved by final and binding arbitration.

23.2 Prior Notice

- (1) Any Party may refer any Dispute to arbitration by notice to the other Party following the expiry of the sixty day period referred to in Section 23.1(1) and, within 10 Business Days after receipt of such notice, the involved Parties shall together select and appoint one arbitrator to resolve the Dispute. If the Parties are unable to agree on the appointment of an arbitrator within a reasonable time, they shall promptly request a court in Saskatoon, Saskatchewan to appoint an arbitrator, and such court’s appointment shall be binding on the Parties. Any person appointed to act as the arbitrator shall be a disinterested person qualified by experience to hear and determine the questions to be arbitrated. No person will be appointed as an arbitrator hereunder unless such person agrees in writing to act.

23.3 Conduct of Arbitrations

- (1) Arbitrations shall be conducted pursuant to the *Arbitration Act, 1992* (Saskatchewan). In the event that these regulations are impossible to apply, the General Arbitration Law will be applied and/or the Laws that substitute or modify it, as may be the case.
- (2) Arbitrations will be performed in the city of Saskatoon, Saskatchewan, in English, and its duration shall not exceed ninety (90) calendar days from the formation and integration of the arbitration tribunal.
- (3) The arbitrator shall not award punitive, incidental, or consequential or other damages and shall be bound by the limitations in this Agreement.
- (4) In connection with the arbitration proceedings, the Parties hereby agree to cooperate in good faith with each other and the arbitrator and to use their respective best efforts to respond promptly to any reasonable discovery demand made by such Party and the arbitrator. The parties covenant that they shall conduct all aspects of such arbitration having regard at all times to expediting the final resolution of such arbitration.
- (5) The determination of such arbitrator shall be final and binding upon the parties hereto. The decision of the arbitrator tribunal will be definitive and unappealable. The Parties agree not to seek judicial recourse against the decision of the arbitrator, with the exception of seeking clarification before the arbitration tribunal itself.
- (6) Each Party shall bear its own arbitration expenses unless the arbitrator determines that it would be equitable if all or a portion of the prevailing Party’s expenses should be borne by the other Party. Unless the decision of the arbitrator provides for non-monetary remedies, any payments required by decisions of the arbitrator shall be made and shall be promptly payable in Canadian dollars. All monetary remedies shall include interest from the date of any breach or other violation of this Agreement until the date when the amount is paid in full.

- (7) Except as otherwise required by applicable Laws, the arbitration proceedings and the decision of the arbitrator shall not be made public without the joint consent of the Parties and each Party shall maintain the confidentiality of such proceedings and the decision of the arbitrator.

ARTICLE 24 NOTICE

24.1 Method

- (1) Each notice, consent, demand or other communication (the “**Notice**”) required or permitted to be given under this Agreement will be in writing and may be personally delivered or sent by facsimile to the address or fax number as set forth in the recitals to this Agreement. A Notice, if so personally delivered, will be deemed to have been given and received on the date of actual delivery and, if so given by facsimile, will be deemed to have been given and received on the date sent, if sent during normal business hours of the recipient on a Business Day and otherwise on the next Business Day.

24.2 Amending Addresses

- (1) Either Party may at any time and from time to time notify the other Party in accordance with this Article 24 of a change of address or fax number, to which all Notices will be given to it thereafter until further notice in accordance with this Article 24.

ARTICLE 25 GENERAL

25.1 Other Activities and Interests

- (1) This Agreement and the rights and obligations of the Parties hereunder are strictly limited to the Hoidas Lake Joint Venture Assets and the Area of Interest. Each Party will have the free and unrestricted right to enter into, conduct and benefit from business ventures of any kind whatsoever, whether or not competitive with the activities undertaken pursuant hereto, without disclosing such activities to the other Party or inviting or allowing the other to participate including, without limitation, involving Mineral Rights or Surface Rights adjoining the Area of Interest, provided that such Mineral Rights or Surface Rights are not an AOI Property, or which previously formed a part of the Hoidas Lake Joint Venture Assets.

25.2 Entire Agreement

- (1) This Agreement and the schedules hereto constitute the entire agreement between the Parties and supersedes and replaces any preliminary or other agreement or arrangement, whether oral or written, express or implied, statutory or otherwise heretofore existing between the Parties in respect of the subject matter of this Agreement including, without limitation, the LOI. This Agreement may not be amended or modified except by an instrument in writing signed by each of the Parties.

25.3 No Waiver

- (1) No consent hereunder or waiver of or with respect to any term or condition of this Agreement will be effective unless it is in writing and signed by the consenting or waiving Party. No consent or waiver expressed or implied by either Party in respect of any breach or default by the other in

the performance by such other of its obligations hereunder will be deemed or construed to be a consent to or a waiver of any other breach or default.

25.4 Further Assurances

- (1) The Parties will promptly execute or cause to be executed all documents, deeds, conveyances and other instruments of further assurance which may be reasonably necessary or advisable to carry out fully the intent of this Agreement or to record wherever appropriate the respective interests from time to time of the Parties in the Property.

25.5 Manner of Payment

- (1) All payments to be made to any Party may be made by cheque, electronic funds transfer, wire transfer or draft mailed or delivered to such Party at its address for notice purposes as provided herein, or for the account of such Party at such bank in Canada as the Party may designate from time to time by notice to the other Party. Such bank or banks will be deemed the agent of the designating Party for the purposes of receiving, collecting and receipting such payment.

25.6 Enurement

- (1) This Agreement will enure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns.

25.7 Special Remedies

- (1) Each of the Parties agrees that its failure to comply with the covenants and restrictions set out in Article 3, Article 13, and Article 23 may constitute an injury and cause damage to the other Party impossible to measure monetarily. Therefore, in the event of any such failure, the other Party will, in addition and without prejudice to any other rights and remedies that it may have at law or in equity, be entitled to injunctive relief restraining, enjoining or specifically enforcing the provisions of Article 3, Article 13, and/or Article 23, as the case may be, and any Party intending to breach or which breaches the provisions of Articles 3, Article 13, and Article 23 hereby waives any defence it may have at law or in equity to such injunctive or equitable relief.

[Signature page follows.]

25.8 Time of the Essence

(1) Time is of the essence in the performance of each obligation under this Agreement.

IN WITNESS WHEREOF this Agreement has been executed as of the date first above given.

STAR MINERALS GROUP LTD.

GREAT WESTERN MINERALS GROUP LTD.

"Jim Engdahl"

Authorized Signatory

"Marc LeVier"

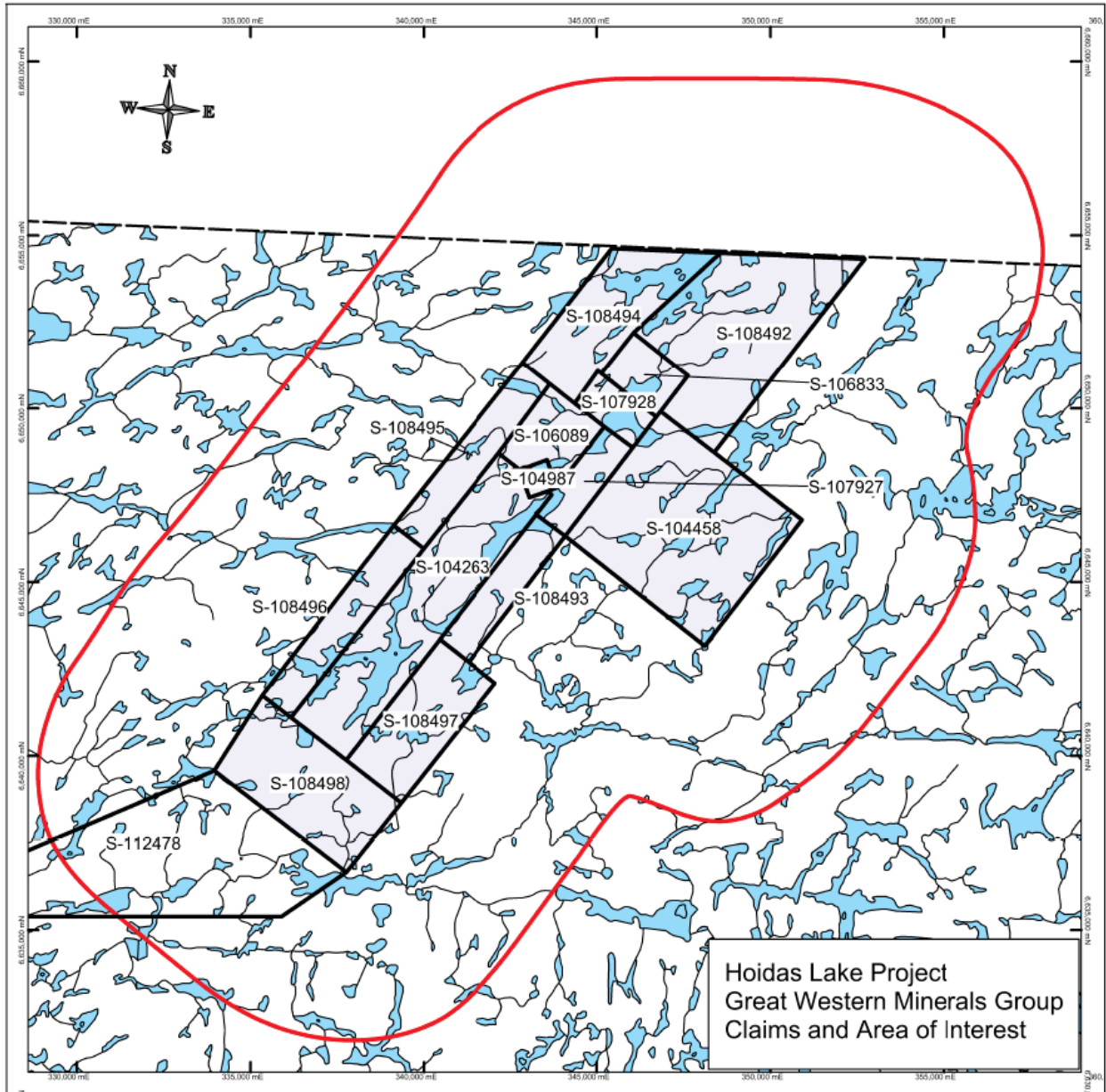
Authorized Signatory

**SCHEDULE A –
HOIDAS LAKE PROJECT DESCRIPTION**

The Hoidas Lake Project

Disposition Number	MARS Map Total Area (Ha)	Search Book Work Credit
S-104987	70	\$21,600.00
S-106089	440	\$155,275.02
S-106833	302	\$84,900.00
S-107927	331	\$97,976.00
S-107928	244	\$66,134.00
S-104263	1890	\$565,500.43
S-104458	2334	\$555,492.00
S-108492	1900	\$518,700.00
S-108493	482	\$131,586.00
S-108494	1043	\$288,814.00
S-108495	642	\$175,265.96
S-108496	665	\$181,545.00
S-108497	889	\$242,697.00
S-108498	1258	\$343,434.00
TOTAL	12490	

**SCHEDULE B –
HOIDAS LAKE PROJECT AREA OF INTEREST**



Davis: 14377591.16

**SCHEDULE C –
TERMS OF HOIDAS LAKE JOINT VENTURE AGREEMENT**

**ARTICLE 1
INTERPRETATION**

1.1 Definitions

- (1) All words and terms defined in the option and joint venture agreement (the “**Agreement**”) to which this Schedule C (the “**Hoidas Lake JV Agreement**”) is attached and not otherwise defined herein shall have the same meaning herein as in the Agreement. For the purposes of this Agreement, except as otherwise defined herein, the following capitalized words and phrases when used herein have the following meanings:
- (a) “**Joint Venture**” means the Hoidas Lake Joint Venture as defined in the Agreement;
 - (b) “**Joint Venture Activities**” means all and any activities permitted or authorized under this Agreement which are directed to the achievement of the purposes of the Joint Venture as set out in Section 2.1(1) of this Hoidas Lake JV Agreement;
 - (c) “**Joint Venture Expenditure**” means cash expenditure and any cost, obligation and liability incurred or properly accrued (but not yet met) with respect to Joint Venture Activities performed by the Operator in accordance with this Agreement including expenditures incurred or accrued:
 - (i) in maintaining the Property in good standing (including land maintenance costs and any monies expended as required to comply with applicable laws and regulations, such as for the completion and submission of assessment work and filings required in connection with any assessment work), in curing title defects and in acquiring and maintaining surface and other ancillary rights;
 - (ii) in preparing for the application for and acquisition of environmental and other permits necessary or desirable to commence and complete exploration and development activities with respect to the Joint Venture;
 - (iii) in undertaking geophysical, geochemical and geological or technical surveys, drilling, assaying and metallurgical testing, including costs of assays, metallurgical testing and other test and analyses to determine the quantity and quality of Mineral Product, water and other materials or substances;
 - (iv) in the preparation of work programs and the presentation and reporting of technical or scientific data relating to a Program including all governmental filings of work reports, and any program for the preparation of a Feasibility Study or other evaluation of the Property;
 - (v) in connection with the protection of the environment in relation to the Property including environmental remediation, rehabilitation, provided the requirement for remediation or rehabilitation was not caused by the gross negligence of the Operator, decommissioning and long-term care and monitoring, whether or not financial assurance for mine reclamation has been established;

- (vi) in acquiring facilities, equipment or machinery, or the use of any of the foregoing things, for the Joint Venture and for all parts, supplies and consumables acquired or used in connection therewith;
 - (vii) in connection with developing, building and operating one or more mines on the Property;
 - (viii) for salaries and wages, including actual labour overhead expenses for employees assigned to exploration and development activities with respect to the Joint Venture;
 - (ix) reasonable travelling expenses and fringe benefits (whether or not required by law) of all persons engaged in work with respect to and for the benefit of the Joint Venture including for their food, lodging and other reasonable needs;
 - (x) payments to contractors or consultants for work done, services rendered or materials supplied with respect to the Joint Venture;
 - (xi) Community Relations Expenditures;
 - (xii) all taxes levied against or in respect of the Property, or activities on the Property, and the costs of insurance premiums and performance bonds or other security; and
 - (xiii) the management fee referred to in Section 6.5(1) of this Hoidas Lake JV Agreement;
- (d) **“Mine”** means the workings established and the property acquired, including plant and concentrator installations, processing facilities, infrastructure, mining plant and equipment, stores, consumables, housing, heliport and other facilities required in order to bring the Hoidas Lake Project into commercial production, whether on or off the Hoidas Lake Project;
 - (e) **“Mineral Product”** means all ores and concentrates or metals derived from them, containing Minerals which are found in, on or under the Hoidas Lake Project and may lawfully be explored for, mined and sold under the Mineral Rights and other instruments of title under which the Hoidas Lake Project is held;
 - (f) **“Participant”** means a Party to this Agreement that has a Hoidas Lake Joint Venture Interest; and
 - (g) **“Saleable”** in relation to Mineral Product means Mineral Product in a form in which it may be sold being the form in which the Participants intend to produce Mineral Product from the Hoidas Lake Joint Venture, which includes Mineral Product in the form of ore or concentrates.

1.2 Included Words

- (1) This Hoidas Lake JV Agreement will be read with such changes in gender or number as the context requires. Any instance of the word “including” means “including without limitation”.

1.3 Headings

- (1) The division of this Hoidas Lake JV Agreement into sections and the insertion of headings are for convenience of reference only and are not to affect the construction or interpretation of this Hoidas Lake JV Agreement.

1.4 Severability

- (1) If any term, provision, covenant or condition of this Hoidas Lake JV Agreement, or any application thereof, should be held by a court of competent jurisdiction to be invalid, void or unenforceable, all provisions, covenants and conditions of this Hoidas Lake JV Agreement, and all applications thereof not held invalid, void or unenforceable shall continue in full force and effect and in no way be affected, impaired or invalidated thereby.

1.5 Entire Agreement

- (1) This Hoidas Lake JV Agreement and the Agreement constitute the entire agreement between the Parties with respect to the subject matter herein and supersedes all prior agreements, negotiations, discussions, undertakings, representations, warranties and understandings, whether written or verbal.

1.6 Time

- (1) For every provision in this Hoidas Lake JV Agreement, time is of the essence.

1.7 Governing Law and Attornment

- (1) This Hoidas Lake JV Agreement will be construed according to and governed by the laws in force in Saskatchewan and, except where matters are expressed herein to be subject to arbitration, the courts of Saskatoon, Saskatchewan will have the exclusive jurisdiction to hear and determine all disputes arising hereunder. Nothing contained in this Section 1.7(1) of this Hoidas Lake JV Agreement is intended to affect the rights of a Party to enforce a judgment or award outside of Saskatchewan.

1.8 Statutory References

- (1) Each reference to a statute in this Hoidas Lake JV Agreement includes the regulations made under that statute, as amended or re-enacted from time to time.

1.9 Currency

- (1) Unless otherwise specified, all dollar amounts expressed in this Hoidas Lake JV Agreement are in the currency of the Canadian dollars.

1.10 Incorporation by Reference

- (1) Article 3 (Area of Interest Additions; Excised Property), Article 13 (Confidentiality and Continuous Disclosure), Article 21 (Transfers), and Article 23 (Arbitration) of the Agreement to which this Schedule C is attached are hereby incorporated by reference, and shall apply equally herein as in the Agreement, *mutatis mutandis*.

ARTICLE 2 RELATIONSHIP OF PARTIES

2.1 Establishment of Hoidas Lake Joint Venture

- (1) The Parties hereby associate themselves in and constitute, with effect on and from the Effective Date, an unincorporated contractual joint venture in respect of the Hoidas Lake Project for the following purposes:
 - (a) to carry out exploration of the Hoidas Lake Project for Mineral Product and, if warranted, to develop the Hoidas Lake Project and extract Mineral Product with a view to long-term profit;
 - (b) if results justify so doing, to make technical, commercial and economic feasibility studies to establish whether or not a Mining Operation is economically viable in or on the Hoidas Lake Project;
 - (c) if any Mining Operation is considered technically, commercially and economically viable, to develop one or more Mines on the Hoidas Lake Project and to commence and continue production of Saleable Mineral Product on a commercial scale; and
 - (d) any other activity in connection with or incidental to any of the foregoing.

2.2 Relationship of the Parties

- (1) As between the Optionee and the Optionor, the rights, duties, obligations and liabilities arising out of the Hoidas Lake Joint Venture will be several, and not joint or joint and several, it being the express purpose and intention of the Parties that the ownership of the Hoidas Lake Joint Venture Interests of the Participants will be as tenants in common in proportion to their respective Hoidas Lake Joint Venture Interests, and that, after the Hoidas Lake Option Period, all liabilities and obligations arising out of Joint Venture Activities will be borne by the Participants in proportion to their respective Hoidas Lake Joint Venture Interests. FOR GREATER CERTAINTY, NOTWITHSTANDING ANY OTHER PROVISION OF THE AGREEMENT OTHER THAN SECTION 5.4 AND SECTION 9.1(3) OF THE AGREEMENT, AND NOTWITHSTANDING ANY OTHER PROVISION OF THIS HOIDAS LAKE JV AGREEMENT, DURING THE HOIDAS LAKE OPTION PERIOD, ALL EXPENDITURES, COSTS AND EXPENSES WHATSOEVER INCURRED IN CONNECTION WITH THE HOIDAS LAKE JOINT VENTURE OR THE FULFILMENT OF ANY OBLIGATION UNDER THE AGREEMENT OR THIS HOIDAS LAKE JV AGREEMENT SHALL BE FOR THE EXCLUSIVE ACCOUNT OF, AND INCURRED AND PAID FOR BY, THE OPTIONEE.
- (2) It is not the intention of the Parties to create a mining, commercial or other partnership or agency relationship between the Parties and this Hoidas Lake JV Agreement shall not be construed so as to render the Parties liable as partners or as creating a mining, commercial or other partnership or agency relationship. No Party shall be or be deemed to be or shall hold itself out as the partner or legal representative of the other Party, and no Party shall be or be deemed to be or shall hold itself out to be the agent of the other Party, except in its capacity as Operator. No Party shall be in any way obligated for the debts or obligations of the other Party. Nothing in this Agreement shall create or be deemed to create a fiduciary relationship between the Parties, nor between the Operator and the other Parties or any of them.

2.3 Title

- (1) Title to the Hoidas Lake Claims shall be dealt with as set forth in Section 8.2 of the Agreement.

2.4 Loss of Title

- (1) After the Hoidas Lake Option Period, any failure or loss of title to the Hoidas Lake Joint Venture Assets, and all costs of defending title thereto, shall be charged to the Hoidas Lake Joint Venture, except to the extent that such loss or cost is directly caused by the gross negligence of the Operator, in which case such loss or expense shall be for the sole account of the Operator.

ARTICLE 3 CALCULATION OF JOINT VENTURE INTERESTS

3.1 Calculation of the Hoidas Lake Joint Venture Interests

- (1) Upon the Effective Date until the Hoidas Lake First Option Exercise Date, the initial Hoidas Lake Joint Venture Interest (the “**Initial Participating Interest**”) of each Participant will be:
 - (a) Optionee: 0%; and
 - (b) Optionor: 100%.
- (2) Subject to Section 3.4 of this Hoidas Lake JV Agreement, upon the Optionee earning the Hoidas Lake First Option Interest until the Hoidas Lake Second Option Exercise Date, the Hoidas Lake Joint Venture Interest of each Participant will be:
 - (a) Optionee: 25%; and
 - (b) Optionor: 75%.
- (3) Subject to Section 3.4 of this Hoidas Lake JV Agreement, upon the Optionee earning the Hoidas Lake Second Option Interest, the Hoidas Lake Joint Venture Interest of each Participant will be:
 - (a) Optionee: 51%; and
 - (b) Optionor: 49%.

3.2 Agreement of Parties

- (1) Each Party acknowledges and agrees that, except as specifically set out in the Agreement or this Hoidas Lake JV Agreement, neither Party is required to make any further payment (whether by way of cash payment, contribution to Joint Venture Expenditure or otherwise) to the other Party in order to acquire or be beneficially entitled to its Initial Participating Interest on the Effective Date as specified in Section 3.1(1) of this Hoidas Lake JV Agreement, subject to the adjustments as set forth in Section 3.3(1) of this Hoidas Lake JV Agreement.

3.3 Adjustment

- (1) The Hoidas Lake Joint Venture Interest of each of the Parties shall be subject to adjustment in such manner as may from time to time result from:

- (a) the exercise by the Optionee of the Hoidas Lake First Option as set forth in Section 3.1(2) of this Hoidas Lake JV Agreement;
- (b) the exercise by the Optionee of the Hoidas Lake Second Option as set forth in Section 3.1(3) of this Hoidas Lake JV Agreement;
- (c) any transfer, sale, assignment, disposal or acquisition of the whole or any part of a Participant's Hoidas Lake Joint Venture Interest under or as permitted by this Agreement; or
- (d) dilution under Section 3.4 of this Hoidas Lake JV Agreement.

3.4 Dilution

- (1) After the Hoidas Lake Option Period, upon the occurrence of a cash call made by the Operator in respect of a Program and Budget in accordance with Article 6 of this Hoidas Lake JV Agreement (each such cash call, a "**Current Cash Call**"), each Participant who elects to participate in the Program shall be required to contribute the amount equal to the product obtained by multiplying its Hoidas Lake JV Interest (expressed as a decimal) by the amount of the Current Cash Call, as adjusted pursuant to this Section 3.4. In respect of a Current Cash Call made by the Operator in respect of a Program and Budget, in addition to the amount a Participant is required to contribute pursuant to a Current Cash Call, a Participant may contribute (the "**Contributing Party**") some or all of the amount of the other Participant's cash call that the other Participant does not contribute to the Program and Budget (for this purpose, the Participant not contributing some or all of its required Current Cash Call amount is referred to as the "**Defaulting Party**" and the amount that the Defaulting Party does not contribute is referred to as the "**Defaulting Amount**").
- (2) After the Hoidas Lake Option Period, the Hoidas Lake JV Interest shall be adjusted (such adjusted Hoidas Lake JV Interest, the "**Adjusted Participating Interest**") in accordance with the following formula (the "**Adjusting Formula**"), subject to accelerated dilution in accordance with Section 6.8(1)(c) of this Hoidas Lake JV Agreement:

Adjusting Formula

$$\text{Adjusted Participating Interest} = \frac{[X] + [A] + ([B] + [E])}{[Y] + [C] + [D]}$$

Where:

[X] = For the Optionor, [X] shall be the product obtained by multiplying: (i) the quotient obtained when the amount in [Y](i) is divided by the percentage of Optionee's Hoidas Lake Joint Venture Interest immediately prior to the first time the Adjusting Formula is used; and (ii) the percentage of the Optionor's Hoidas Lake Joint Venture Interest immediately prior to the first time the Adjusting Formula is used.

For the Optionee, [X] shall be the amount represented by [Y](i).

[Y] = The amount that results from adding: (i) the sum of: (A) Expenditures incurred on the Hoidas Lake Project by the Optionee in order for the Optionee to satisfy its obligations under Sections 6.1 and 6.2 of the Agreement; plus (B) amounts expended pursuant to Section 3.1 of the Agreement to acquire Additional Property; and (ii) the amount calculated for the Optionor in [X].

[A] = The aggregate of all amounts actually previously paid by the Participant whose Adjusted Participating Interest is being calculated (the “**Adjusting Party**”) in respect of previous cash calls (which, for greater certainty, shall not include the Current Cash Call).

[B] = The amount of cash actually paid by the Adjusting Party in respect of a Program in accordance with a Current Cash Call, such amount not included in [A]. This amount cannot be greater than 100% of the amount of the Current Cash Call applicable to the Adjusting Party.

[C] = The aggregate amount of cash actually paid by both Parties in response to previous cash calls (which, for greater certainty, shall not include the Current Cash Call).

[D] = The aggregate amount of cash actually paid in connection with the Current Cash Call by both Parties (including, for greater certainty, any amount paid in respect of [E]), such amount not included in [C].

[E] = If the Adjusting Party is the Contributing Party, that portion of the Defaulting Party's Defaulting Amount contributed by the Contributing Party; and if the Adjusting Party is the Defaulting Party, [E] shall be \$0. For a Contributing Party, the amount set out in [E] must be a positive number, and an amount can be included in [E] only if the Contributing Party has contributed 100% of its required Current Cash Call (which amount is reflected in [B]) (i.e. this amount will be the excess contributed by the Contributing Party above 100% of its Current Cash Call amount, to a maximum of the amount of the Current Cash Call applicable to the Defaulting Party that the Defaulting Party did not actually contribute).

(3) After the Hoidas Lake Option Period, to determine each Participant’s respective share of the initial cash call made by the Operator in connection with the initial Program and Budget (the “**Initial Cash Call**”), the Hoidas Lake JV Interest shall be applied to the aggregate cash amount

required for such initial Program and Budget in order to determine each Participant's cash call. Immediately prior to the next cash call after the Initial Cash Call, the Adjusting Formula shall be used to determine the Adjusted Participating Interest of a Participant for such subsequent cash call and for each subsequent cash call thereafter. For greater certainty, the amounts used in the Adjusting Formula shall be the actual funds each Participant contributes to a particular program (or has contributed prior to the Current Cash Call), and are actually spent on the particular Program (or have been spent on past Programs).

- (4) If the Adjusted Participating Interest of the non-Operator is subject to accelerated dilution in accordance with Section 6.8(1)(c) of this Hoidas Lake JV Agreement, then immediately prior to the next cash call after such adjustment, the Adjusted Participating Interest of the non-Operator as adjusted by the accelerated dilution pursuant to Section 6.8(1)(c) of this Hoidas Lake JV Agreement shall be used to determine the Adjusted Participating Interest of the non-Operator for such subsequent cash call.

3.5 Operator to Make Calculations

- (1) If a Participant's Hoidas Lake JV Interest is diluting in accordance with Section 3.4 of this Hoidas Lake JV Agreement, then calculations of Hoidas Lake JV Interests must be made in each month by the Operator (and such a determination must also be made immediately upon a Participant, whose Hoidas Lake Joint Venture Interest has been diluting, again becoming entitled and obliged to contribute to Joint Venture Expenditure). The Operator must, after having made such a calculation, notify the Parties of their respective Hoidas Lake Joint Venture Interests and of the date on which the calculation of the Hoidas Lake Joint Venture Interest was made.

3.6 Assignments During Dilution

- (1) If a Participant, which for the time being is not entitled nor obliged to contribute to Joint Venture Expenditures, sells, assigns or otherwise disposes of its Hoidas Lake Joint Venture Interest to an Affiliate or a third party, then the assignee shall not be entitled or obliged to contribute to Joint Venture Expenditure until, in accordance with Section 6.3(1) of this Hoidas Lake JV Agreement (read on the basis that references to "the Participant whose Hoidas Lake Joint Venture Interest is diluting" were references to the assignee), the assignee would again become entitled or obliged to contribute to Joint Venture Expenditures in accordance with Section 6.1 of this Hoidas Lake JV Agreement, when that assignee shall become entitled or obliged to contribute on the basis of its Hoidas Lake Joint Venture Interest as calculated under Section 3.4 of this Hoidas Lake JV Agreement on the date on which, in accordance with Section 6.3(1) of this Hoidas Lake JV Agreement (as so applied) it again becomes entitled or obliged to so contribute.

3.7 Continuing Liabilities upon Reduction or Dilution

- (1) Subject to Section 5.4(1) and Section 9.1(3) of the Agreement, during the Hoidas Lake Option Period, any liability arising in connection with the Hoidas Lake Joint Venture will be for the sole account of the Optionee. After the Hoidas Lake Option Period, each Participant's respective share of any liability arising in connection with the Hoidas Lake Joint Venture, will be based on such Participant's Hoidas Lake Joint Venture Interest at the time such liability is paid, regardless of such Participant's Hoidas Lake Joint Venture Interest at the time the act or omission giving rise to the liability occurred.

3.8 Extinguishing Hoidas Lake Joint Venture Interest and Grant of Dilution Out NSR

- (1) Dilution of either Participant's Hoidas Lake Joint Venture Interest (calculated in the aggregate, in circumstances where a Participant's interest in the Hoidas Lake Joint Venture is held by such Participant in concert with an affiliate of such Participant) to below 10%, will cause that Participant's Hoidas Lake Joint Venture Interest to convert to a net smelter return royalty ("**Dilution Out NSR**") in accordance with the terms of the net smelter returns royalty agreement set out in Exhibit "1" to this Hoidas Lake JV Agreement, in the percentage set out in Exhibit "1" to this Hoidas Lake JV Agreement, subject to the right of repurchase also set out in Exhibit "1" to this Hoidas Lake JV Agreement.
- (2) The Participant whose Hoidas Lake Joint Venture Interest has been converted to a Dilution Out NSR pursuant to Section 3.8(1) of this Hoidas Lake JV Agreement shall remain liable only for its direct, non-contingent obligations hereunder which are due and remain undischarged up to the time of conversion, and shall forthwith execute and deliver all such transfers, conveyances or other documents as are necessary to vest, register and record the transfer of its Hoidas Lake Joint Venture Interest to the other Participant.
- (3) If a Participant's Hoidas Lake Joint Venture Interest is converted to a Dilution Out NSR pursuant to Section 3.8(1) of this Hoidas Lake JV Agreement, any decision to place the Hoidas Lake Project into production shall be at the sole discretion of the other Participant and if the Hoidas Lake Project is in or is placed into production, such other Participant shall have the unfettered right to suspend, curtail or terminate any such operation as it in its sole discretion may determine.
- (4) If a Participant's Hoidas Lake Joint Venture Interest is converted to a Dilution Out NSR pursuant to Section 3.8(1) of this Hoidas Lake JV Agreement, that Participant shall no longer have any rights under this Hoidas Lake JV Agreement other than as set out in this Section 3.8, Article 17 and Article 18 of this Hoidas Lake JV Agreement.

ARTICLE 4 JV MANAGEMENT COMMITTEE

4.1 Establishment

- (1) On the Effective Date, the Parties will establish a management committee (the "**JV Management Committee**") of the Hoidas Lake Joint Venture to determine and set overall policies, objectives, procedures and actions under this Hoidas Lake JV Agreement. During the Hoidas Lake Option Period, the composition of the JV Management Committee and the decisions of the JV Management Committee shall be determined in accordance with Section 7.2 of the Agreement. After the Hoidas Lake Option Period, decisions of the JV Management Committee will be by simple majority vote, with each Representative's vote being in proportion to their Participant's respective Hoidas Lake Joint Venture Interest. In the event that a Participant's interest is diluted such that they hold only the Dilution Out NSR in the Hoidas Lake Project, such Party shall not be entitled to representation on the JV Management Committee.

4.2 Powers and Obligations

- (1) Except as expressly provided otherwise in this Hoidas Lake JV Agreement, the JV Management Committee is empowered to make all strategic and planning decisions regarding the Hoidas Lake Joint Venture. Accordingly, the JV Management Committee is responsible for revising, as deemed appropriate, Programs submitted by the Operator, for approving all Programs and for evaluating the results of all Programs.

4.3 Calling of Meetings

- (1) Meetings of the JV Management Committee shall be held at such time, date and place as may be determined by the Operator on at least 10 days' written notice or as may be determined by the non-Operator on at least 30 days' written notice, provided that the JV Management Committee shall hold regular meetings at least twice each calendar year, one of which shall be designated as the annual meeting. The Representatives attending a meeting may waive the notice period required for any meeting of the JV Management Committee. On receipt of any such written notice, the receiving Participant may add any item(s) to the agenda, if the receiving Participant notifies the other Participant in writing of the addition at least five (5) days before the meeting. No item which is not on the agenda may be discussed without the unanimous consent of all of the Representatives. Individuals other than the Representatives may attend meetings of the JV Management Committee with the unanimous consent of all the Representatives.

4.4 Attendance at Meeting by Phone

- (1) Any Representative may attend a meeting of the JV Management Committee by telephone or video conference call and such Representative is deemed to be present at such meeting.

4.5 Quorum at Meetings

- (1) The quorum for any meeting of the JV Management Committee shall consist of one Representative from each of the Parties. If a quorum is not present at the time and place set for a meeting, then the meeting shall be adjourned to the same place and time on the same day of the following week. At the continuation of the adjourned meeting the JV Management Committee may conduct business (i.e. a quorum shall be deemed to exist), if a written notice regarding the continuation of the adjourned meeting was sent to the Participant whose Representative did not attend the first meeting. In no other circumstance may business be transacted at a meeting of the JV Management Committee without a quorum being present.

4.6 Secretary of Meetings

- (1) The Representatives shall appoint a secretary to act as a secretary of the JV Management Committee at the beginning of each meeting of the JV Management Committee. Such secretary shall carry out the duties of the secretary of the JV Management Committee until such secretary's replacement is appointed. The secretary shall prepare and maintain minutes of each meeting of the JV Management Committee. The secretary shall distribute to the Representatives such minutes, as soon as practicable following each meeting and in any event within 30 days after the meeting. The secretary shall also maintain, and distribute to the Representatives, copies of all correspondence and instruments received, sent or signed by the JV Management Committee or the Representatives (when acting in the capacity of a Representative).

4.7 Making Decisions

- (1) During the Hoidas Lake Option Period, the decisions of the JV Management Committee shall be determined in accordance with Section 7.2 of the Agreement. After the Hoidas Lake Option Period, all decisions of the JV Management Committee shall be by majority vote by the Representatives, who shall each have that number of votes equal to such Participant's Hoidas Lake Joint Venture Interest from time to time. In the event of an equality of votes, the Operator's Representative shall have an additional and casting vote. Alternatively, the JV Management Committee may transact any business by a written instrument signed by the Representatives of each Participant. Each decision of the JV Management Committee shall be final and binding on the Parties.

4.8 Production Decisions

- (1) After the Hoidas Lake Option Period, a decision of the JV Management Committee to approve the implementation of the Feasibility Study, a draft work program and a draft budget to commence construction and development as contemplated by the Feasibility Study (a “**Production Decision**”) will be based on a simple majority vote as per Section 4.7(1) of this Hoidas Lake JV Agreement.
- (2) A Production Decision can only be made following completion of a Feasibility Study which supports the economic viability of the project as well as detailing development capital costs.
- (3) A Production Decision can only be made following completion of a development funding strategy for the project, which shall detail funding sources, including third party debt financing and equity contribution from project Participants.
- (4) Debt financing shall be in such quantum as may be reasonably available from third party lenders for similar projects under prevailing market conditions, and based on the Feasibility Study.
- (5) Capital calls for equity or debt contribution shall be subject to a minimum subscription period of 120 days.

4.9 Unanimous Approval of JV Management Committee Required

- (1) Notwithstanding any term in this Hoidas Lake JV Agreement or the Agreement except for Section 4.9(2) of this Hoidas Lake JV Agreement, the Operator shall not take any of the following actions without obtaining the prior written unanimous approval of the Representatives of each Participant on the JV Management Committee:
 - (a) create, or permit to remain, any Liens, except for Permitted Liens, upon any Hoidas Lake Joint Venture Asset or its Hoidas Lake Joint Venture Interest;
 - (b) abandon, sell or otherwise dispose of the Property or any part thereof other than as permitted by Section 3.2(1) of the Agreement;
 - (c) settle any suit, Claim or demand with respect to the Hoidas Lake Joint Venture involving an amount in excess of \$200,000;
 - (d) the entering into or amendment of any material contract with any Person who is not at Arm’s Length to the Operator or either Participant; or
 - (e) any other matter specifically referred to herein as requiring unanimous approval of the Representatives.
- (2) Notwithstanding Section 4.9(1)(b) of this Hoidas Lake JV Agreement, after the Hoidas Lake Option Period, the Operator may dispose of any part of the Property which is not required or desirable for the development of the Property by giving the non-Operator 90 days’ prior written notice of the proposed disposal (and, in the case of a proposed sale, the proposed terms and condition of such sale, including sale price). On receipt of such written notice, the non-Operator may elect to acquire all of that part of the Property subject to the proposed disposal by delivering a written notice to the Operator to this effect at least 10 days before the expiry of such 90 day notice period. On receipt of the notice and payment, if applicable, from the non-Operator, the Operator shall promptly transfer the part of the Hoidas Lake Project subject to the proposed disposal to the non-Operator (provided, however, in the case of a proposed sale, such sale shall be completed substantially on the same terms and conditions, including as to sale price, as set out in

the written notice provided by the Operator of the proposed disposal). The non-Operator shall pay for all transfer costs. Upon completion of the transfer of the part of the Hoidas Lake Project subject to the disposal to the non-Operator, the part of the Hoidas Lake Project disposed of will no longer be subject to this Hoidas Lake JV Agreement (or, for greater certainty, be a Hoidas Lake Joint Venture Asset), except that the non-Operator shall indemnify and save harmless the Operator and its Affiliates and their respective directors, officers, employees and shareholders, from and against any and all Claims suffered or incurred by any of them in respect of the part of the Hoidas Lake Project disposed of subject to the proposed disposal. To the extent that an indemnified party is not a party to this Hoidas Lake JV Agreement, the Operator shall hold the right and benefit of this Section 4.9(2) in trust for the benefit of such indemnified Parties. For greater certainty, the Operator may not transfer any part of the Property to itself or to an Affiliate without the prior written consent of the other Participant.

4.10 Discharge of Liability

- (1) Each of the Parties hereto hereby releases and forever discharges each Representative appointed to the JV Management Committee for the purposes of this Hoidas Lake JV Agreement (each a “**Member**”) from any and all Claims which such Party may at any time hereafter have against any such Member in respect of anything done by him/her in good faith in the performance of his/her duties, and agrees to indemnify, defend and save harmless the Member appointed by it from any and all Claims against such Member in respect of anything done by him/her in good faith in the performance of his/her duties, with the intent that any Claim that a Party would have had against a Member but for the provisions of this Section 4.10(1) shall be satisfied by the Party for whom such Member acted, whether such Claim arises from improper performance or negligence, provided that the Parties do not release and discharge any Members from, nor shall any Party be obliged to indemnify, defend and save harmless any Member against, the willful misconduct or gross negligence of such Member. The provisions of this Section 4.10(1) shall survive the termination of this Agreement and may be relied upon by anyone who, from time to time, acts as a Member. Any Party may enforce the provisions of this Section 4.10(1) on behalf of its Member.

ARTICLE 5 THE OPERATOR AND ITS POWERS AND OBLIGATIONS

5.1 Appointment of Operator

- (1) Unless the Parties agree otherwise, the Optionee will serve as the initial Operator of the Hoidas Lake Joint Venture during the Hoidas Lake Option Period, subject to its earlier resignation or replacement in accordance with Section 5.2.

5.2 Resignation and Replacement

- (1) The Operator may resign as Operator upon notifying the non-operating Participant (“**non-Operator**”) in writing of its resignation at any time after a Program has been approved by the JV Management Committee but before the commencement of the implementation of such Program, or at any time if no Program is being carried out at that time. The non-Operator shall have the right to elect to become the new Operator at any time after:
 - (a) the Operator defaults in its obligations as operator hereunder and fails to commence and diligently prosecute measures to remedy such default within 30 days after the non-

Operator shall have given written notice to the Operator of such default specifying in such notice the nature of the default;

- (b) the Hoidas Lake First Option or the Hoidas Lake Second Option expires or is terminated (without exercise);
 - (c) the Hoidas Lake Joint Venture Interest of the Operator becomes less than 50%; or
 - (d) the Hoidas Lake Second Option Exercise Date, if the Operator fails to submit, pursuant to Section 6.1(2) or Section 6.1(3), a Program and Budget within one (1) month of the date required under Section 6.1(2) or 6.1(3), as applicable, of this Hoidas Lake JV Agreement. Notwithstanding Section 5.2(1)(c), in the event the non-Operator elects to become the Operator pursuant to this paragraph and provides an annual Program and Budget in accordance with subsection 6.1(2)(d) or 6.1(3)(b), as applicable, the non-Operator will then have the right to become Operator of the Hoidas Lake Joint Venture for the purpose of carrying out of such annual Program. Thereafter, the Participant with the largest Hoidas Lake Joint Venture Interest will have the first right to propose the next annual Program and Budget to the JV Management Committee.
- (2) On any change or replacement of the Operator, the retiring Operator shall transfer all data, documents, reports, records, accounts, samples and assays in its possession or control, and relating to the Mining Operations or the Property, to the incoming Operator.

5.3 Powers and Obligations

- (1) The Operator will make Joint Venture Expenditures and carry out work, meet obligations pertaining to the Property and maintain the Hoidas Lake Project in good standing on behalf of the Hoidas Lake Joint Venture, all as described under approved Budgets and Programs. Subject to the approval of each Program by the JV Management Committee, the powers and obligations of the Operator shall be as follows:
- (a) subject to terms of this Hoidas Lake JV Agreement and any direction given by the JV Management Committee, to carry out all approved Programs;
 - (c) to implement the decisions of the JV Management Committee and to carry out such other duties and responsibilities as the JV Management Committee may delegate from time to time;
 - (d) to manage the Hoidas Lake Joint Venture and to conduct, or cause to be conducted, all Mining Operations:
 - (i) in a good, workmanlike and efficient manner and in accordance with each work Program approved by the JV Management Committee;
 - (ii) in accordance with sound mining, engineering and other applicable industry standards and practices;
 - (iii) in material compliance with the terms and provisions of concessions, leases, licenses, permits, contracts and other agreements pertaining to the Hoidas Lake Project;
 - (iv) in accordance with the applicable sustainable development, and health, safety, environment and community policies and standards of the Parties hereto and the

Parties shall document in writing, as same may be amended or replaced from time to time; and

- (v) in accordance with all applicable Laws, including, without limitation, all applicable anti-corruption Laws;
- (e) to submit each Program to the JV Management Committee for approval by delivering the Program to the Representatives at least 20 days in advance of the meeting of the JV Management Committee at which such Program is to be considered;
- (f) subject to Section 4.9 of this Hoidas Lake JV Agreement and Section 3.2 of the Agreement, to keep the Property in good standing and to pay all applicable payments, fees and taxes, and other similar Government Fees lawfully levied or assessed in respect of the Hoidas Lake Project, except that the Operator shall not be obliged, however, to make any such payment as long as such payment is being contested in good faith and the non-payment thereof does not adversely affect the Hoidas Lake Project;
- (g) subject to Article 8, Article 9 and Article 10 of this Hoidas Lake JV Agreement, to provide, purchase, lease or rent all plant, buildings, machinery, equipment, tools, appliances, materials, supplies and services required for a Program and to dispose of the same when no longer required or useful for the purposes of the Hoidas Lake Project and the Hoidas Lake Joint Venture;
- (h) to maintain and keep the Hoidas Lake Joint Venture Assets, or to cause the Hoidas Lake Joint Venture Assets to be maintained and kept, in good operating condition and repair in accordance with good mining practice and as required under applicable Laws;
- (i) to comply with all applicable laws affecting the Hoidas Lake Joint Venture;
- (j) to obtain and maintain such types and levels of property and liability insurance with respect to the Hoidas Lake Joint Venture as the Operator shall consider necessary or advisable from time to time, such coverage to include the non-Operator as a named insured to the extent of the non-Operator's undivided interest in the Hoidas Lake Joint Venture from time to time;
- (k) to require the Operator's contractors and subcontractors to take out and maintain such types and levels of property and liability insurance as the Operator shall consider necessary or advisable from time to time and to comply with the requirements of all applicable unemployment insurance and workers' compensation legislation with respect to work or services to be provided by such contractors or subcontractors;
- (l) to advise the non-Operator of any accident or occurrence resulting in any material damage to or destruction of any Hoidas Lake Joint Venture Assets or material harm or injury to any individual;
- (m) to procure such professional or technical services as may be required by the Hoidas Lake Joint Venture from time to time;
- (n) to secure all licenses, permits and approvals necessary or appropriate for the operations of the Hoidas Lake Joint Venture;
- (o) to prosecute or defend all litigation or administrative proceedings arising out of the operation of the Hoidas Lake Joint Venture, provided that any Party may also join in the prosecution or defence of any such litigation at its own expense;

- (p) to keep adequate data, information and records of the Operator's management of the Hoidas Lake Joint Venture and to keep suitable accounts which reflect all financial aspects of the Hoidas Lake Joint Venture and generally accepted accounting principles and once per year to make such available to the non-Operator, at the place designated by the Operator, acting reasonably, within 10 days of receipt of a written request for disclosure by the non-Operator;
 - (q) to permit the directors, officers, employees and designated consultants and agents of the non-Operator, at its own cost and risk, access to the Hoidas Lake Project at all reasonable times and upon reasonable notice to the Operator; provided that the non-operating Party will indemnify the Operator against and save it harmless from all costs, claims, liabilities and expenses that the Operator may incur or suffer as a result of any injury (including injury causing death) to any director, officer, employee, designated consultant or agent of the non-Operator while on the Hoidas Lake Project except to the extent that any such costs, claims, liabilities or expenses result from the Operator's gross negligence or wilful misconduct; further provided that such access shall not materially interfere with or impair the Operator's Mining Operations;
 - (r) to have all powers necessary to carry out, or cause to be carried out, all of the Operator's obligations set out in this Hoidas Lake JV Agreement and to otherwise carry out, or cause to be carried out, all Programs approved by the JV Management Committee;
 - (s) to provide the non-Operator with quarterly reports of operating and financial information within 30 days of each quarter end and 60 days of each year end in sufficient depth and detail to allow the non-Operator to incorporate the results and information contained therein into its own quarterly and annual financial statements, MD&A and any other disclosure requirements under applicable laws;
 - (t) to deliver to the non-Operator annual (calendar year) reports disclosing any significant technical data learned or obtained in connection with work in respect of the Hoidas Lake Project, the Operator's management of the Hoidas Lake Joint Venture as well as a breakdown of Expenditures incurred in carrying out such work, on or before the 31st day of January of the year following the calendar year to which such report relates;
 - (u) to deliver to the non-Operator technical reports as they become available, and reasonable access to the authors and other third Party consultants of such reports;
 - (v) to deliver to the non-Operator any and all such other information as the Optionor may reasonably request access to in order to meet its disclosure obligations under applicable Laws;
 - (w) to keep the Hoidas Lake Joint Venture Assets free and clear of all Liens arising from its operations hereunder (except for Permitted Liens) and proceed with diligence to contest and discharge any such Lien that is filed (except for Permitted Liens); and
 - (x) to maintain true and correct books, accounts and records of Expenditures.
- (2) After the Hoidas Lake Option Period, all Expenditures, costs and expenses whatsoever incurred by the Operator in connection with the Hoidas Lake Joint Venture shall be contracted for in the Operator's name for the exclusive account of, and incurred and paid for by, the Operator on behalf of the Participants, provided that the Operator shall direct any author of any reports prepared in accordance with NI 43-101 that such reports shall be addressed to the Optionor and the Optionee if such Party is a Participant.

5.4 Reporting to the JV Management Committee

- (1) The Operator will deliver reports to the JV Management Committee, as follows:
 - (a) while field work is in progress, monthly reports, dated no later than the previous month end, indicating the status of work, results obtained therefrom, all assay results and other factual technical data prepared or obtained by the Operator and financial statements;
 - (b) during periods of no work, quarterly reports provided no later than 30 days after the end of such quarter;
 - (c) all material results as soon as practical after verification by the Operator; and
 - (d) copies of any and all documents filed by the Operator to record assessment work on the Hoidas Lake Project.

5.5 Accuracy of Information

- (1) The Operator does not make, and shall not be required to make, any representation or warranty whatsoever concerning the presence of ores or other valuable materials on or near the Hoidas Lake Project or the feasibility of any Mining Operations or Commercial Production. Provided the Operator has acted in good faith in supplying information, the Operator shall have no liability to the non-Operator with respect to the foregoing.

5.6 Emergencies

- (1) In an emergency, the Operator, without the consent of the non-Operator, may take such immediate actions and make such immediate Joint Venture Expenditures as the Operator, acting reasonably, deems necessary to keep the Hoidas Lake Project in good standing or to preserve or protect life, limb, property or the environment in respect of the Hoidas Lake Project or otherwise. The Operator shall promptly report such emergency actions to the non-Operator and, after the Hoidas Lake Option Period, the related Joint Venture Expenditures to the non-Operator by delivering a cash call to the non-Operator. After the Hoidas Lake Option Period, the non-Operator shall pay its share of the Joint Venture Expenditures as set out in such cash call to the Operator in accordance with Section 6.4(1) of this Hoidas Lake JV Agreement.

5.7 Standard of Care

- (1) The Operator shall discharge its duties under this Article 5 and conduct all Mining Operations in a good, workmanlike and efficient manner, in accordance with sound mining, engineering and other applicable industry standards and practices, and in material compliance with the terms and provisions of concessions, leases, licenses, permits, contracts and other agreements pertaining to the Hoidas Lake Joint Venture Assets and all applicable Laws. The Operator shall not be liable to the non-Operator for any act or omission resulting in damage, loss, cost, penalty or fine to the Hoidas Lake Joint Venture, except to the extent caused by or attributable to the Operator's willful misconduct, gross negligence or breach of the terms of this Agreement. The Operator shall not be in default of its duties under this Hoidas Lake JV Agreement, if its inability to perform results from the failure of the non-Operator to perform acts or to contribute amounts required of it by this Hoidas Lake JV Agreement.

5.8 Selection of Processor

- (1) Any Participant that holds a majority interest in the Hoidas Lake Joint Venture may designate the facility (or facilities) at which the Minerals produced from the Property and owned by the Hoidas Lake Joint Venture shall be toll processed at terms that reflect international and local facility market cost structure; provided, however, if a such majority interest Participant chooses a facility owned by it or an Affiliate, the charges, costs and penalties of such processing operations shall be equal to or better than those that would be charged by an arms-length processor which offers comparable services.

ARTICLE 6 PROGRAMS AND BUDGETS

6.1 Contents of Program

- (1) During the Hoidas Lake Option Period, the Operator shall prepare an annual work Program and Budget and submit such Program and Budget to the JV Management Committee for review and approval.
- (2) In the event that:
 - (a) the Hoidas Lake Option Period ends and the Optionee has not duly exercised the Hoidas Lake Second Option; or
 - (b) the Optionee has duly exercised the Hoidas Lake Second Option and a Production Decision has not occurred;

then the Operator shall not be required to prepare and submit a Program and Budget unless requested to do so by resolution of the JV Management Committee which resolution will also include the deadline for submitting such Program and Budget. If the Operator fails to provide to the JV Management Committee an annual Program and Budget as requested pursuant to this Section 6.1(2) by the resolution of the JV Management Committee totalling at least \$500,000, the non-Operator will have the right:

- (c) to propose to the JV Management Committee an annual Program with a Budget totalling at least \$500,000 provided that such Program and Budget will be deemed to be approved by the JV Management Committee; and
 - (d) to elect to and to become Operator in accordance with paragraph 5.2(1)(d).
- (3) After a Production Decision occurs, if the Operator fails to provide to the JV Management Committee an annual Program and Budget totalling at least \$500,000, the non-Operator will have the right:
 - (a) to propose to the JV Management Committee an annual Program and Budget totalling at least \$500,000 provided that such Program and Budget will be deemed to be approved by the JV Management Committee; and
 - (b) to elect to and to become Operator in accordance with paragraph 5.2(1)(d).
- (4) Each Program must contain:
 - (a) a reasonably detailed outline of all Mining Operations which the Operator contemplates carrying out on the Hoidas Lake Project and detailing the areas on the Property to be subject to such Mining Operations and the time frame for each of the major elements of the Mining Operations; and

- (b) a reasonably itemized Budget, broken down by month, of the projected Joint Venture Expenditures under the Program including the estimated amount and date of each payment that the non-Operator would have to make to the Operator.
- (5) The Operator shall submit a Program and Budget to the JV Management Committee for approval at least 20 days prior to the annual meeting of the JV Management Committee in respect of each proposed Program and Budget for the following calendar year. The JV Management Committee must approve each Program and Budget prior to implementation. Each Program and Budget shall cover a period of 12 months or such other period as the JV Management Committee may determine.
- (6) Notwithstanding this Section 6.1 of this Hoidas Lake JV Agreement, if at any time the Operator proposes that any capital works be undertaken which the Operator considers are unlikely to be completed within the period of an annual Program and Budget or considers that it is desirable to defer such works until the commencement of the next year or to deal with such works by way of amendment to a Program or a Budget, then the Operator may prepare and submit to the Parties a Program and a Budget covering the carrying out of such capital work.

6.2 Election by non-Operator

- (1) After the Hoidas Lake Option Period, the non-Operator may elect, on delivering notice in writing to the Operator within 30 days following the approval of any Program and Budget by the JV Management Committee (including any alteration to any Program and Budget), to participate in the Program and Budget up to the extent of the non-Operator's then Hoidas Lake Joint Venture Interest (but not to any lesser extent). If the non-Operator does not give such notice then:
 - (a) except where that notice is given after the Operator has adopted an alteration to a Program and Budget, it shall not be entitled or obliged to contribute to Joint Venture Expenditure incurred from the commencement of the period covered by the Budget in relation to which the notice was given until it becomes entitled and obliged to recommence contributing to Joint Venture Expenditure by operation of Section 6.3(1) of this Hoidas Lake JV Agreement, and such period for which a Participant is not entitled nor obliged to so contribute (either at all or in full), such Participant's Hoidas Lake Joint Venture Interest shall dilute as provided for in Section 3.4 of this Hoidas Lake JV Agreement; and
 - (b) in the case where the Operator has adopted an alteration to a Budget, it shall not be entitled or obliged to contribute to Joint Venture Expenditure from the date on which the Joint Venture Expenditure incurred in carrying out that Budget reaches the total amount budgeted for Joint Venture Expenditure in that Budget before it was so altered until it becomes entitled and obliged to recommence contributing to Joint Venture Expenditure by operation of Section 6.3(1) of this Hoidas Lake JV Agreement, and during such period for which a Participant is not entitled nor obliged to so contribute (either at all or in full), such Participant's Hoidas Lake Joint Venture Interest shall dilute as provided for in Section 3.4 of this Hoidas Lake JV Agreement.

6.3 Recommencement of Contributions

- (1) If:
 - (a) the Operator adopts an alteration to a Program and Budget so as to alter the amount budgeted for Joint Venture Expenditures under those documents and the non-Operator whose Participating Hoidas Lake JV Interest is diluting, within 10 Business Days after

the date of notice of that alteration, gives notice to the Operator that it elects to recommence contributing to Joint Venture Expenditure with effect from the date of commencement of implementation of that alteration to that Program and Budget; or

- (b) a Program and Budget has been submitted to the Participants by the Operator under Section 6.1 of this Hoidas Lake JV Agreement and the non-Operator whose Hoidas Lake JV Interest is diluting gives notice to participate under Section 6.2(1) of this Hoidas Lake JV Agreement to the Operator within 10 Business Days after that Program and Budget has been approved by the JV Management Committee,

then the non-Operator whose Hoidas Lake Joint Venture Interest is diluting shall again become entitled to contribute to Joint Venture Expenditure in accordance with Section 6.2(1) of this Hoidas Lake JV Agreement (with its Hoidas Lake JV Interest calculated as at the date on which it so becomes entitled and obliged to contribute) upon:

- (c) in a case to which Section 6.3(1)(a) of this Hoidas Lake JV Agreement applies, the date of commencement of implementation of the alteration to the Program and Budget concerned; or
- (d) in a case to which Section 6.3(1)(b) of this Hoidas Lake JV Agreement applies, the date of commencement of the period covered by the Program and Budget concerned.

6.4 Expenditures Made Proportionately

- (1) The Operator shall carry out each Program approved by the JV Management Committee. After the Hoidas Lake Option Period, subject to Section 6.2(1) of this Hoidas Lake JV Agreement, each of the Operator and the Non-Operator will contribute its proportionate share, according to their respective Hoidas Lake Joint Venture Interest, towards the Joint Venture Expenditures to be made under each Program in accordance with Section 6.13(1) of this Hoidas Lake JV Agreement. After the Hoidas Lake Option Period, each payment by the Operator (on behalf of the Hoidas Lake Joint Venture) in respect of any Joint Venture Expenditure will be deemed to be made in proportion to each Participant's respective Hoidas Lake Joint Venture Interest, so long as each of the Parties has provided its proportionate share of the funding in respect of the Program.

6.5 Management Fee

- (1) After the Hoidas Lake Option Period, the Optionor and Optionee, shall negotiate in good faith to come to an agreement as to the management fee to be paid to the Operator in full satisfaction of all compensation payable to the Operator for performing its duties and obligations under this Hoidas Lake JV Agreement, including, without limitation, for the period:
 - (a) prior to the time a Production Decision is made;
 - (b) from the time a Production Decision is made, including the time in which construction occurs in order to bring the Hoidas Lake Project into Commercial Production; and
 - (c) after the Hoidas Lake Project has been brought into Commercial Production.
- (2) After the Hoidas Lake Option Period, the Operator shall further be reimbursed all out-of-pocket costs incurred on behalf of the Hoidas Lake Joint Venture if incurred in accordance with approved Programs and Budgets.

6.6 Payments to Operator

- (1) If the non-Operator elects to participate in a Program, after the Hoidas Lake Option Period, the Operator may submit a cash call to the non-Operator 120 days preceding a quarter in which Joint Venture Expenditures are to be made under a Program and Budget. For greater certainty, the Operator shall not submit a cash call to the Optionor during the Hoidas Lake Option Period. The Operator shall provide a copy of the cash call to which the Operator is subject in respect of such Program to the non-Operator at the time the Operator submits such cash call. The request for the cash call must set out the estimated Joint Venture Expenditures under the Program and Budget for the immediately following quarter, multiplied by the non-Operator's Hoidas Lake Joint Venture Interest. Within 60 days of receipt of such cash call, the non-Operator shall pay the Operator the cash call amount and the Operator shall make its cash call amount available to the Hoidas Lake Joint Venture. The Operator may also, from time to time, submit other cash calls relating to reconciliations, bills, accounts or other requests for payment in respect of any Joint Venture Expenditures made by the Operator under a Program and Budget or otherwise in accordance with this Hoidas Lake JV Agreement. Such cash calls must set out the total amount involved, multiplied by the non-Operator's Hoidas Lake Joint Venture Interest and the Operator's Hoidas Lake Joint Venture Interest, respectively. Within 60 days of receipt of such cash call, the non-Operator shall pay the Operator such cash call amount and the Operator shall make its cash call amount available to the Hoidas Lake Joint Venture. If either the non-Operator or the Operator fails to make any payments under this Section 6.6(1) within any applicable 60-day payment period, the non-Operator or the Operator, as applicable, shall make such payment together with an interest payment, calculated at the rate equal to the annual rate of interest announced from time to time by the Canadian Imperial Bank of Commerce as its reference rate then in effect for determining interest rates on Canadian dollar commercial loans in Canada (commonly known as its prime rate) plus 6%, for the period commencing on the expiry of such 60 day payment period and terminating on the date that full payment is made.

6.7 Failure to Participate

- (1) After the Hoidas Lake Option Period, if either Participant does not elect to participate in a Program, its interest shall be diluted in accordance with Section 3.4 of this Hoidas Lake JV Agreement.

6.8 Failure to Make Payment by non-Operator after Election to Participate

- (1) After the Hoidas Lake Option Period, if the non-Operator fails to make a required payment within the payment period referred to in Section 6.6(1) of this Hoidas Lake JV Agreement, the Operator shall give written notice of such non-payment and the non-Operator shall then be entitled to an additional 30 days (for a total of 90 days from the receipt of the cash call) to make such payment. If the non-Operator fails to make full payment, including applicable interest, to the Operator within such additional 30 day period, then the non-Operator:
 - (a) shall be deemed to have not provided the notice set forth in Section 6.2(1) of this Hoidas Lake JV Agreement and Section 6.2(1) of this Hoidas Lake JV Agreement shall be deemed to apply except as modified by Section 6.8(1)(c) of this Hoidas Lake JV Agreement;
 - (b) shall not be entitled or obliged to contribute to Joint Venture Expenditure incurred from the commencement of the period covered by the Budget in relation to which the notice was given until it becomes entitled and obliged to recommence contributing to Joint

Venture Expenditure by operation of Section 6.3(1) of this Hoidas Lake JV Agreement;
and

- (c) the non-Operator's Hoidas Lake Joint Venture Interest shall be diluted at 200% of the Adjusted Participating Interest determined pursuant to Section 3.4 of this Hoidas Lake JV Agreement.

6.9 Failure to Spend at Least 80% of Budget

- (1) If the non-Operator does not elect to participate in a Program and the Operator does not make Joint Venture Expenditures under the Program at least equal to 80% of Budgeted Joint Venture Expenditures under such Program, the non-Operator shall not have its Hoidas Lake Joint Venture Interest diluted in accordance with Section 3.4 of this Hoidas Lake JV Agreement if the non-Operator pays to the Operator within 60 days following the completion of such Program an amount equal to the total Joint Venture Expenditures made under such Program, multiplied by the non-Operator's Hoidas Lake Joint Venture Interest, determined at the commencement of such Program. If the Operator has not made such 80% of Budgeted Joint Venture Expenditures, the Operator will provide notice and full details of the Joint Venture Expenditures so incurred and the results of the Program to the non-Operator within 30 days of the completion of such Program.

6.10 Expenditures More Than 10% Above Budget

- (1) Joint Venture Expenditures made by the Operator exceeding the Joint Venture Expenditures contemplated by the Budget for the subject Program by less than 10% will be funded by the Parties in proportion to their Hoidas Lake Joint Venture Interest. Joint Venture Expenditures made by the Operator exceeding the Joint Venture Expenditures contemplated by the Budget by more than 10% will be funded solely by the Operator, unless such Joint Venture Expenditures are as a result of a Force Majeure event or as otherwise agreed by the Parties in writing. Unless otherwise agreed by the Parties in writing, any such payments exceeding the Joint Venture Expenditures contemplated by the Budget by more than 10% which are made by either the Operator or the non-Operator will not form part of the calculations used to determine the Hoidas Lake Joint Venture Interest of the Parties in accordance with Section 3.4 of this Hoidas Lake JV Agreement. The Operator will under no circumstances be compelled to complete Joint Venture Expenditures that exceed Budgeted Joint Venture Expenditures by more than 10%.

6.11 Return of Surplus Monies

- (1) If, after completion of any Program, the Operator is in possession of any moneys contributed by the non-Operator and which, in the Operator's opinion, are not required for the discharge of obligations relating to such Program, the Operator shall repay such moneys to the non-Operator forthwith upon demand.

6.12 Anti-Dilution Option

- (1) After the completion of a Program in respect of which a Participant's interest has been diluted due to the operation of Section 6.2(1), Section 6.7(1) and Section 3.4 of this Hoidas Lake JV Agreement, the Defaulting Party shall have the option (the "**Anti-Dilution Option**"), exercisable during the 120 day period commencing on the day following the Defaulting Party's receipt in accordance with Section 5.4(1) of this Hoidas Lake JV Agreement of all assay results and other factual technical data prepared or obtained by the Operator in connection with such Program, to reverse such dilution by paying to the

Contributing Party an amount equal to 300% of the Defaulting Amount on or before the expiration of such time period.

- (2) Notwithstanding any of the foregoing, a Participant may exercise the Anti-Dilution Option on one occasion only and the Anti-Dilution Option expires in respect of a Participant following its exercise by such Participant.

6.13 Hoidas Lake Joint Venture Account

- (1) The JV Management Committee will establish an account (the “**Hoidas Lake Joint Venture Account**”) with a Canadian Schedule I bank. The Hoidas Lake Joint Venture Account shall be established such that each Participant can make deposits or transfers to the Hoidas Lake Joint Venture Account within two (2) Business Days. All funding obligations in respect of any Program shall be deposited in the Hoidas Lake Joint Venture Account by the Parties and the JV Management Committee shall pay or authorize payment from the Hoidas Lake Joint Venture Account of all Joint Venture Expenditures. The JV Management Committee shall approve signing authorities and other authorization levels for the Hoidas Lake Joint Venture Account.

6.14 Independent Audits

- (1) The Operator shall provide a statement of the Joint Venture Expenditures incurred in each calendar year by April 1st of the following year and the non-Operator may elect to have such Joint Venture Expenditures and all other books, records and accounts of the Hoidas Lake Joint Venture and Operator relating to the Hoidas Lake Project or the Hoidas Lake Joint Venture audited by an independent auditor by giving written notice to the Operator within 60 days of the receipt of such statement of Joint Venture Expenditures. Should the non-Operator fail to make such an election within such 60 day period, then the Operator shall be deemed to have incurred the Joint Venture Expenditures indicated in the applicable statement of Joint Venture Expenditures. Should an audit reveal that the Operator has not incurred all of the Joint Venture Expenditures indicated in the applicable statement of Joint Venture Expenditures, then the Operator shall make a payment to the non-Operator equal to the difference between the Joint Venture Expenditures found to have been incurred pursuant to the audit and the Joint Venture Expenditures indicated in the statement of Joint Venture Expenditures multiplied by the non-Operator’s Hoidas Lake JV Interest or Adjusted Participating Interest, as applicable, in the Hoidas Lake Joint Venture. All exceptions to and Claims upon the Operator for discrepancies disclosed by such independent audit shall be made in writing within 60 days after completion or delivery of such audit, or they shall be deemed waived. The costs of such audit shall be borne solely by the Operator in the event the Operator is required to make any such payment hereunder, otherwise the costs of such audit shall be borne solely by the non-Operator.

6.15 Distribution Policy

- (1) Upon commencement of Commercial Production, the policy of the Hoidas Lake Joint Venture shall be to sell the Mineral Products and to distribute to the Hoidas Lake Joint Venture interest holders all free cash flow on a quarterly basis, subject to any reasonable, industry-standard withholding for planned capital expenditures, debt repayment, any Government Fees or other payments required to be made to Government Authorities on behalf of the Hoidas Lake Joint Venture or contingency other payments as determined by the Hoidas Lake Management Committee.

6.16 Operator’s Rights on Alteration

- (1) If an alteration of a Program or a Budget or an inability of the Operator to proceed with a Program or a Budget necessitates the termination of any contract or arrangement entered into by the Operator under a Program or a Budget or work is required to be performed and costs, charges and expenses are required to be incurred in order to properly cease any Joint Venture Activity required to be ceased by either of the circumstances referred to above in this Section 6.16(1), then termination of that contract or arrangement and the undertaking of such work shall be deemed to be authorized as Joint Venture Activities and the costs, charges and expenses incurred in such termination or such work shall be deemed to be Joint Venture Expenditure.

ARTICLE 7 OFFTAKE ROFR

7.1 Great Western Offtake ROFR

- (1) The Optionor is hereby granted a right of first refusal to purchase any intermediate or final Mineral Products produced during the period starting on the commencement of Commercial Production and ending on the twenty-fifth anniversary of such date (“**ROFR Period**”), as follows:
 - (a) in the event that the Operator on behalf of the Hoidas Lake Joint Venture intends to offer for sale, or receives or obtains a bona fide offer for the purchase, of all or any part of the Mineral Products produced during the ROFR Period which is acceptable to the Hoidas Lake Joint Venture in all respects (a “**ROFR Offer**”), the Operator shall give the Optionor a minimum of fourteen (14) business days’ notice of the ROFR Offer, together with a true and complete copy of the ROFR Offer. An agreement of purchase and sale that is conditional on the Optionor not exercising this right of first refusal and which otherwise is acceptable to the Hoidas Lake Joint Venture in all respects shall be deemed to be a ROFR Offer. The Participants agree that the Optionor shall have the prior right to elect to purchase the Mineral Products indicated in the ROFR Offer for the price and on the terms and conditions contained in the ROFR Offer, which right may be exercised by written notice of such exercise given to the Operator at any time within the fourteen (14) business days following receipt of such written notice of the ROFR Offer;
 - (b) if the ROFR Offer provides for any consideration payable otherwise than in cash, the ROFR Offer shall include the Operator’s good faith estimate of the cash equivalent of the non-cash consideration. If the ROFR Offer so accepted by the Optionor contains a good faith estimate of the cash equivalent consideration as aforesaid, and if any of the Participants disagrees with the Operator’s best estimate (an “**Objecting Participant**”), such Objecting Participant shall so notify the Operator at the time of acceptance and the Objecting Participant shall, in such notice, specify what it considers, in good faith, the fair cash equivalent to be and the resulting total purchase price. If the Objecting Participant so notifies the Operator, the acceptance by the Optionor of the ROFR Offer shall continue to be effective and binding upon the Participants and the cash equivalent of any such non-cash consideration shall be determined by binding arbitration under the terms of this Hoidas Lake JV Agreement and shall be payable by the Optionor, within sixty (60) days following its determination by arbitration;

- (c) if the Optionor elects to exercise the right of first refusal, the notice given by it shall constitute a binding agreement of purchase and sale as between the Participants and the Optionor;
- (d) if the Optionor does not elect to exercise the right of first refusal, the Operator shall be free for a period of fourteen (14) business days to enter into a binding agreement in respect of the Mineral Products indicated in the ROFR Offer on the terms and conditions set forth in the ROFR Offer (a “**Permitted Offer**”), provided that the terms of this section shall again apply to such Mineral Products if the sale to the proposed purchaser or the execution of a binding agreement in respect of a Permitted Offer is not completed within the said fourteen (14) business days;
- (e) the Participants covenant and agree not to directly or indirectly cause or allow the Hoidas Lake Joint Venture to sell any portion of the Mineral Products unless the Operator has first complied with the terms hereof;
- (f) the entering into of purchase and sale agreements and/or other agreements with third parties in respect of the Mineral Products which are the subject of a ROFR Offer at any time and from time to time, including prior to the exercise of the right of first refusal shall not derogate from the Optionor’s rights in respect of the right of first refusal; and
- (g) notwithstanding Section 1.10 of this Hoidas Lake JV Agreement, the Optionor may assign all or a portion of its rights under this section and the Optionor’s right of first refusal shall survive the termination of this Hoidas Lake JV Agreement and/or the conversion of the Optionor’s JV Interest pursuant to the Dilution Out NSR, as applicable.

ARTICLE 8 DEALINGS WITH AFFILIATES

8.1 Transactions at Fair Market Value

- (1) Any Hoidas Lake Joint Venture Assets that the Operator may purchase, lease or rent from an Affiliate or any non-Arm’s Length Person to any Participant shall be purchased, leased or rented at fair market value at competitive market rates and on such other terms no more favourable than that which would be the case with Arm’s Length persons in commercial transactions of a similar nature. The cost of all work which the Operator may contract to an Affiliate or any non-Arm’s Length Person shall be equal to the fair market value of such work at competitive market rates. Any Hoidas Lake Joint Venture Assets that the Operator may sell or otherwise dispose of to an Affiliate or any non-Arm’s Length Person shall be sold or otherwise disposed of at fair market value at competitive market rates. The Operator shall pay the net proceeds received in respect of such Hoidas Lake Joint Venture Assets, if any, to the Parties in proportion to their respective Hoidas Lake Joint Venture Interests. The Operator shall give the non-Operator written notice of any significant transaction with an Affiliate or any non-Arm’s Length Person and the non-Operator may, at any time within 12 months after it has received such notice, dispute whether such transaction was at fair market value.

**ARTICLE 9
USE OF SURPLUS HOIDAS LAKE JOINT VENTURE ASSETS**

9.1 Use of Assets

- (1) The Operator may use any Hoidas Lake Joint Venture Assets which are no longer required for the Hoidas Lake Joint Venture for such other purposes and on such terms as the Operator may from time to time determine. The Operator shall pay the net proceeds received in respect of such Hoidas Lake Joint Venture Assets, if any, to the Parties in proportion to their respective Hoidas Lake Joint Venture Interests. If such surplus Hoidas Lake Joint Venture Assets are used by the Operator outside the scope of the Hoidas Lake Joint Venture, or are used by an Affiliate of the Operator outside the scope of the Hoidas Lake Joint Venture, then the net proceeds in respect of such use shall be deemed to be an amount equal to what could be obtained from an arm's-length third party.

**ARTICLE 10
DISPOSITION OF SURPLUS HOIDAS LAKE JOINT VENTURE ASSETS**

10.1 Disposition of Surplus Hoidas Lake Joint Venture Assets

- (1) Subject to Section 4.9 of this Hoidas Lake JV Agreement and Section 3.2(1) of the Agreement, the Operator may from time to time sell or otherwise dispose of such part of the Hoidas Lake Joint Venture Assets as are no longer required for Hoidas Lake Joint Venture operations. The Operator shall pay the net proceeds received in respect of such Hoidas Lake Joint Venture Assets, if any, to the Parties in proportion to their respective Hoidas Lake JV Interests.

**ARTICLE 11
INSURANCE PROCEEDS**

11.1 Order of Application

- (1) The Operator shall apply, to the extent determined by the Operator, any insurance proceeds received by the Operator in respect of any loss or damage to Hoidas Lake Joint Venture Assets towards the repair or replacement of the lost or damaged Hoidas Lake Joint Venture Assets. The Operator shall pay the remaining proceeds received in respect of such Hoidas Lake Joint Venture Assets, if any, to each Party in proportion to its Hoidas Lake Joint Venture Interest.

**ARTICLE 12
SETTLEMENT PAYMENTS**

12.1 Settlement Expenses to Constitute Expenditures

- (1) All costs and expenses (including legal fees and disbursements), net of any insurance proceeds, incurred and paid by the Operator in settlement of any Claim (including a payment made, or an action taken, by the Operator as a result of an action of a governmental agency or community group) in any manner related to the Hoidas Lake Joint Venture shall constitute a Joint Venture Expenditure made by the Operator under the applicable Program. In addition, after the Hoidas Lake Option Period, the non-Operator, shall severally, in proportion to its Hoidas Lake Joint Venture Interest calculated:

- (a) on the date that the payment is made which gives rise to this indemnification obligation if the non-Operator was not the Operator during the period such Claim arose or was incurred, or
- (b) on the date that the initial liability was incurred which gives rise to this indemnification obligation if the non-Operator was the Operator during the period such Claims arose or was incurred,

indemnify and hold harmless the Operator, for any Claim (including an action of a Governmental Authority which results in a payment made, or an action taken, by the Operator) in any manner related to the Hoidas Lake Joint Venture, except to the extent that such Claim arose from the gross negligence or willful misconduct of the Operator.

(2) Notwithstanding any other provision of this Hoidas Lake JV Agreement:

- (a) the settlement of any Claims related to environmental liabilities on the Hoidas Lake Project arising due to exploration activities during the Hoidas Lake Option Period will be for the sole account of the Optionee;
- (b) the Optionee shall have no liability to the Optionor for any environmental liabilities incurred on the Hoidas Lake Project during the Hoidas Lake Option Period caused by or directly resulting from the gross negligence of the Optionor during the Hoidas Lake Option Period; and
- (c) payments contemplated by Section 12.1(2)(a) above of this Hoidas Lake JV Agreement are not subject to the rights of indemnification set out in Section 12.1(1).

ARTICLE 13 LIABILITY OF OPERATOR

13.1 Operator Liability

- (1) The Operator shall not be liable to the non-Operator for any Claim (including a payment made, or an action taken, by the Operator as a result of an action of a governmental agency) in any manner related to the Hoidas Lake Joint Venture, except to the extent that such Claim is attributable to the gross negligence or wilful misconduct of the Operator or a breach by the Operator of the terms of the Agreement or this Hoidas Lake JV Agreement. Without limiting the foregoing, in no event (including fundamental breach) shall the Operator be liable to the non-Operator for any indirect, special or consequential damages (including for loss of goodwill, loss of actual or anticipated profits or other economic loss), even if the Operator has been advised of the potential for such damages.

ARTICLE 14 NO PARTITION

14.1 No Partition of Hoidas Lake Joint Venture Assets

- (1) Neither Participant may seek or obtain partition of any of the Hoidas Lake Joint Venture Assets, including the Property, or any interest therein whether by way of physical partition, sale or otherwise. No statute, regulation or law providing for partition, or partition and sale, shall apply to any of the Hoidas Lake Joint Venture Assets.

**ARTICLE 15
NO RESTRICTION ON OTHER ACTIVITIES**

15.1 No Restriction Outside Scope of Hoidas Lake Joint Venture

- (1) Each Participant has the unrestricted right to engage in, and receive the full benefit of, any activity outside the scope of the Hoidas Lake Joint Venture, without consulting with, or accounting to, the other Participants, or permitting the other Participant to participate in such activity.

**ARTICLE 16
TERMINATION**

16.1 Winding Up of Hoidas Lake Joint Venture and Distribution of Assets

- (1) If the Parties agree in writing to terminate the Hoidas Lake Joint Venture, the Operator may take any actions necessary or desirable to wind up the Hoidas Lake Joint Venture. All costs, charges and expenses of winding up the Hoidas Lake Joint Venture (including in respect of any reclamation) shall be for the account of the Hoidas Lake Joint Venture and the Parties shall divide the Hoidas Lake Joint Venture Assets in proportion to their Hoidas Lake Joint Venture Interests, although any loans advanced to the Hoidas Lake Joint Venture by a Participant shall be satisfied before any other distribution of assets is made to the Parties. Once the said costs, charges and expenses have been paid in full, the Operator may sell the Hoidas Lake Joint Venture Assets (with the prior approval of the non-Operator, where Hoidas Lake Joint Venture Assets are sold for a total amount of in excess of \$100,000) or distribute the Hoidas Lake Joint Venture Assets to the Parties in kind.

**ARTICLE 17
INDEMNIFICATION**

17.1 Indemnity Inter Se

- (1) The Optionor on one hand, and the Optionee, on the other hand, shall indemnify and hold harmless each other from and against any Claims arising out of any act or any obligation or responsibility by such indemnifying party done or undertaken outside the scope of this Hoidas Lake JV Agreement or in violation or breach of any of the terms or provisions of this Hoidas Lake JV Agreement other than any such acts or assumptions of any obligations or responsibility undertaken pursuant to an authorization expressly granted in writing by the indemnified party, except when resulting from gross negligence or wilful misconduct of the indemnified party.

17.2 Survival

- (1) Notwithstanding any other provision of this Hoidas Lake JV Agreement, the indemnities provided in this Hoidas Lake JV Agreement shall remain in full force and effect until all possible liabilities of the Persons indemnified thereby are extinguished by the operation of Law and will not be limited to or affected by any other indemnity obtained by such indemnified Persons from any other Person.

**ARTICLE 18
DISPUTE RESOLUTION**

18.1 Dispute Resolution

- (1) Any and all claims, disputes, questions or controversies involving the Parties arising out of or in connection with this Hoidas Lake JV Agreement (collectively, “**Disputes**”) that cannot be finally resolved by such Parties within sixty days of arising by good-faith negotiation shall be resolved in accordance with Article 23 of the Agreement.

**ARTICLE 19
GENERAL**

19.1 Enurement and Survival

- (1) This Hoidas Lake JV Agreement shall enure to the benefit of and be binding upon the Parties and their respective successors and permitted assigns.
- (2) The provisions of Article 7 and Section 1.10 shall survive the termination of this Hoidas Lake JV Agreement.

19.2 Further Assurances

- (1) Each Party shall from time to time promptly execute and deliver all further documents and take all further action reasonably necessary or desirable to give effect to the terms and intent of this Hoidas Lake JV Agreement.

19.3 Waivers

- (1) No waiver of any term of this Hoidas Lake JV Agreement by a Party is binding unless such waiver is in writing and signed by the Party entitled to grant such waiver. No failure to exercise and no delay in exercising, any right or remedy under this Hoidas Lake JV Agreement shall be deemed to be a waiver of that right or remedy. No waiver of any breach of any term of this Hoidas Lake JV Agreement shall be deemed to be a waiver of any subsequent breach of that term.

19.4 Amendments

- (1) No amendment, supplement or restatement of any term of this Hoidas Lake JV Agreement is binding unless it is in writing and signed by each Party.

19.5 Effect of Force Majeure

- (1) Notwithstanding any term in this Hoidas Lake JV Agreement, if a Party is at any time delayed from carrying out any action under this Hoidas Lake JV Agreement due to circumstances of Force Majeure (which for greater certainty excludes circumstances arising from the financial difficulty of such Party), such situation and the application of any Force Majeure exceptions shall be governed by Article 22 of the Agreement, which is hereby incorporated by reference and shall apply equally herein as in the Agreement, *mutatis mutandis*.

19.6 Notice

- (1) Any Notice or other communication required or permitted to be given under this Hoidas Lake JV Agreement shall be governed by Article 24 of the Agreement which is incorporated by reference and shall apply equally herein as in the Agreement, mutatis mutandis.

19.7 Payments

- (1) Any payment made under this Hoidas Lake JV Agreement from one Party to the other may be made by certified cheque, electronic funds transfer, wire transfer or by personal delivery or overnight courier to the appropriate address set out in the Agreement.

19.8 Limited Purpose

- (1) Unless the Parties otherwise agree, the rights and obligations of the Parties under this Hoidas Lake JV Agreement shall be strictly limited to the Purpose and shall not be extended by implication or otherwise. Nothing herein shall restrict in any way the freedom of any Party to conduct, as it sees fit, any business or activity whatsoever beyond the Purpose of the Agreement and this Hoidas Lake JV Agreement or, subject to Article 3 of the Agreement, outside of the boundaries of the Hoidas Lake Project. Furthermore, each Party shall have the right independently to engage in and receive full benefits from business activities, whether or not competitive with the operations of the Hoidas Lake Joint Venture outside of the Purpose of the Agreement and this Hoidas Lake JV Agreement and, subject to Article 3 of the Agreement, outside the boundaries of the Hoidas Lake Project, without consulting the other. The doctrines of “corporate opportunity” or “business opportunity” shall not be applied to any other activity, venture or operation of either Party outside of the Purpose of the Agreement and this Hoidas Lake JV Agreement and, subject to Article 3 of the Agreement, outside the boundaries of the Hoidas Lake Project, and, neither Party shall have any obligation to the other with respect to any opportunity to acquire any property, subject to Article 3 of the Agreement, outside the boundaries of the Hoidas Lake Project at any time.

**EXHIBIT 1 –
DILUTION OUT NSR IN RESPECT OF THE HOIDAS LAKE PROJECT**

- 2% (two percent) NSR.

- The Owner (as defined in the Net Smelter Returns Royalty Agreement) shall have the option to buy back the entire Royalty on the Hoidas Lake Project from the Holder for an amount equal to 2% (two percent) of the net present value of the Hoidas Lake Project as determined by the Feasibility Study which served as the basis for the applicable Production Decision.

[The form of Net Smelter Returns Royalty Agreement follows.]

NET SMELTER RETURNS ROYALTY AGREEMENT

THIS ROYALTY AGREEMENT (this “**NSR Agreement**”) is made with effect as of the ___ day of _____.

BETWEEN :

[Name of 90% Majority Hoidas Lake Joint Venture Interest Owner],

(hereinafter referred to as the “**Owner**”)

– and –

[Name of royalty holder],

(hereinafter referred to as the “**Holder**”) (collectively, the Owner and the Holder are hereinafter referred to as the “**Parties**”)

WHEREAS the Owner is the holder of interests in the Hoidas Lake Joint Venture pursuant to an Option and Joint Venture Agreement (the “**JV Agreement**”) among [♦] dated effective [♦], to which the form of this NSR Agreement is attached as Exhibit 1 to Schedule C;

AND WHEREAS Section 3.8 of the JV Agreement provides that in certain circumstances, a party thereto may be entitled to a Dilution Out NSR (as such term is defined in the JV Agreement) in respect of the mineral properties that are the subject of the JV Agreement on the terms and conditions set out herein;

NOW THEREFORE, for good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged by each of the Parties), the Parties agree as follows:

1. INTERPRETATION

1.1 Definitions

For the purposes of this NSR Agreement, unless the context otherwise requires, the following terms shall have the respective meanings set out below and grammatical variations of such terms shall have corresponding meanings:

- (a) “**Additional Property**” shall have the meaning given to such term in the JV Agreement.
- (b) “**Affiliate**” has, with respect to the relationship between two or more companies, the meaning given to it in the *Business Corporations Act* (Saskatchewan) as such act may be amended from time to time and, with respect to the relationship between two or more Persons any of which are not bodies corporate, a Person shall be deemed to be an Affiliate of another Person if one of them is controlled by the other or if both are controlled by the same Person, and for this purpose,

control means the right, directly or indirectly, to direct or cause the direction of the management of the affairs of a Person, whether by ownership of securities, by contract or otherwise.

- (c) “**Business Day**” means a day other than a Saturday, a Sunday or any other day on which the principal chartered banks located in Saskatoon, Saskatchewan are not open for business.
- (d) “**Commercial Production**” shall have the meaning given to such term in the JV Agreement.
- (e) “**Calculation Price**” means the Spot Price on the Business Day that the Owner’s account is credited with the sale of such Minerals by the Owner.
- (f) “**Feasibility Study**” shall have the meaning given to such term in the JV Agreement.
- (g) “**Governmental Authority**” means any federal, state, provincial, territorial, regional, municipal or local government or authority, quasi government authority, fiscal or judicial body, government or self regulatory organization, commission, board, tribunal, organization, stock exchange or any regulatory, administrative or other agency, or any political or other subdivision, department, or branch of any of the foregoing having jurisdiction over the Hoidas Lake Project or the Parties hereto.
- (h) “**Hedging Transactions**” has the meaning given to it in Section 6.
- (i) “**Interest**” has the meaning given to it in Section 3(e).
- (j) “**Minerals**” means all marketable naturally occurring metallic and non-metallic minerals or mineral bearing material in whatever form or state, including, without limitation, any precious metal, any base metal, natural gas, petroleum, coal, diamonds, salt and rock, sand, gravel or aggregate, that is mined, extracted, removed, produced or otherwise recovered from the Mining Property, whether in the form of ore, doré, concentrates, refined metals or any other beneficiated or derivative products thereof and including any such minerals or mineral bearing materials or products derived from any processing or reprocessing of any tailings, waste rock or other waste products originally derived from the Mining Property.
- (k) “**Mining Property**” shall be the Hoidas Lake Project, as such term is defined in the JV Agreement, and for greater certainty, shall include any Additional Property, unless all or part of the Hoidas Lake Project is abandoned in accordance with Section 11. The Mining Property is also set out in Schedule “A” hereto, and shall be deemed to include Additional Property, if any.
- (l) “**Net Smelter Returns**” means the actual proceeds received by the Owner from the sale or other disposition of Minerals with no set off for amounts owing to the Processor or others, less the following expenses:
 - (i) all taxes and royalties based directly on or assessed against the value or quantity of Minerals produced from the Mining Property, including the following:
 - a. direct sales tax;
 - b. use taxes;
 - c. gross receipts taxes;
 - d. severance taxes; and

e. Governmental Authority taxes, royalties or other government charges based upon revenue or the value of Minerals produced;

but excluding any and all taxes based upon the net income of the Owner or other operator of the Mining Property, the value of the Mining Property or the privilege of doing business and other taxes assessed on a similar basis; and

- (ii) all reasonable transportation costs, including related insurance costs (provided that the proceeds of any claims pursuant to such insurance shall be deemed to be Net Smelter Returns), for transportation of Minerals from the Mining Property to a Processor or to the point of sale, sampling and assaying costs (but, for greater certainty, not including any such costs associated with exploration and development of the Mining Property) and all direct charges and/or costs charged by any smelter, refiner, mint and/or other Processor of the Minerals, including penalties, if any (provided such charges, costs and/or penalties have not been previously deducted by the Processor) and any reasonable selling agent or broker costs directly associated with the sale of the Minerals. Provided that if the smelting, refining, minting and/or further processing is carried out at facilities owned or controlled, in whole or in part, by the Owner, then the charges and costs for such smelting, refining, minting and/or further processing of such Minerals shall be the lesser of: (A) the charges and costs the Owner would have incurred if such smelting, refining, minting and/or further processing was carried out at facilities that are not owned or controlled by the Owner and that are offering comparable services for comparable products; and (B) the actual charges and costs incurred by the Owner with respect to such smelting, refining, minting and/or further processing.
- (m) “**Notice**” shall have the meaning set out in Section 19.1 herein.
- (n) “**Place of Delivery**” means the place directed by the Holder in writing.
- (o) “**Prime**” means at any particular time, the reference rate of interest, expressed as a rate per annum that the Bank of America establishes as its prime rate of interest in order to determine interest rates that it will charge for demand loans in United States dollars to its most credit worthy customers in the United States.
- (p) “**Processor**” means collectively any third-party mill, smelter, refinery or other processor of the Minerals which processes any Minerals to the final product stage before sale or other disposition by or for the account of the Owner.
- (q) “**Royalty**” shall have the meaning set out in Section 2 of this NSR Agreement.
- (r) “**Spot Price**” means price per unit in United States dollars for the relevant mineral as quoted on the Asian Metals Pages for the relevant Business Day.

1.2 Headings, Internal References

The headings used in this NSR Agreement, and its division into articles, sections, schedules, and other subdivisions, do not affect its interpretation. References in this NSR Agreement to articles, sections, schedules, and other subdivisions are to those parts of this NSR Agreement.

1.3 Number and Gender

Unless the context requires otherwise, words importing the singular number include the plural and vice versa; words importing gender include all genders.

1.4 Currency

Unless specified otherwise, all dollar amounts expressed in this NSR Agreement refer to lawful currency of the United States.

1.5 Calculation of Time

In this NSR Agreement, a period of days begins on the first day after the event that began the period and ends at 5:00 p.m. (central time) on the last day of the period. If any period of time is to expire, or any action or event is to occur, on any day that is not a Business Day, the period expires, or the action or event is considered to occur, at 5:00 p.m. (central time) on the next Business Day.

1.6 Use of the Term “Including”

Where this NSR Agreement uses the word “**including**” it means “**including without limitation**”, and where it uses the word “**includes**” it means “**includes without limitation**”.

1.7 Interpretation of this NSR Agreement

The Parties acknowledge that they have each participated in settling the terms of this NSR Agreement. The Parties agree that any rule of legal interpretation to the effect that any ambiguity is to be resolved against the drafting party will not apply in interpreting this NSR Agreement.

1.8 References to Statutes, etc

Unless specified otherwise, any reference in this NSR Agreement to a statute includes both the regulations, rules and polices made under that statute and any provision that amends, supplements, supersedes or replaces any such statute, regulation, rule or policy.

1.9 Schedules

Schedules “A” and “B” form part of this NSR Agreement.

2. GRANT OF ROYALTY

Subject to the terms of this NSR Agreement, the Owner hereby grants, conveys and agrees to pay to the Holder a royalty (the “**Royalty**”) in respect of the Mining Property equal to 2% (two percent) of the Net Smelter Returns derived from the Mining Property commencing on the later of the date on which Commercial Production is achieved or the date of this NSR Agreement (the “**Commencement Date**”). The Owner and the Holder expressly acknowledge and agree that the grant, sale, transfer and conveyance of the Royalty herein is effective as of the date of this NSR Agreement and is intended to run with and bind each of the Mining Property and the title of the Owner thereto and shall be binding upon the successors and assigns of the Owner and all successors of the Owner in title to the Mining Property.

3. TIME AND MANNER OF ROYALTY PAYMENTS

- (a) The Royalty payment shall be calculated and paid for each fiscal quarter of each calendar year during the term of this NSR Agreement (a “**quarter**”) (i.e., each succeeding three month period of a calendar year, the first quarter commencing on January 1st), commencing with the quarter (or the remainder thereof) in which the Commencement Date occurs. The Royalty payment for each quarter shall be paid to the Holder by the Owner by certified cheque, bank draft or wire transfer (in the sole and absolute discretion of the Holder) in United States dollars, on or before the day that is sixty (60) days after the last day of each quarter. Any adjustment to the determination of any Royalty payment shall be made on the next scheduled Royalty payment. All such Royalty and adjustment payments shall be delivered to the Holder at the Place of Delivery in such manner as specified in writing by the Holder.
- (b) At least ninety (90) days prior to commencing any mining of the Mining Property and on the first anniversary of such date every year thereafter, the Owner shall deliver to the Holder a reasonably detailed and reasoned estimate specific to the Mining Property of the proven and probable reserves of Minerals on, in or under the Mining Property.
- (c) At the time each Royalty payment is paid to the Holder, the Owner shall prepare and deliver to the Holder a statement setting out in reasonable detail the manner in which such Royalty payment was calculated, including: (i) the quantities of Minerals sold or otherwise disposed of by the Owner with respect to such quarter; (ii) the quantities of Minerals to which such Royalty payment is applicable; (iii) the calculation of the applicable Net Smelter Returns; (iv) the Spot Price and the Calculation Price for applicable Minerals; (v) the calculation of Interest accrued on such Royalty payment, if any; (vi) in the event of any commingling as contemplated in Section 5, a detailed summary of the determination by the Owner of the quantity of Minerals commingled in accordance with Section 5 and subject to the Royalty; and (vii) in the case of any Minerals in the form of ores mined and stockpiled but not sold or processed by the Owner during the previous quarter, the tonnage and location of such Minerals so stockpiled.
- (d) Notwithstanding the terms of any other provision in this NSR Agreement, the Owner shall not be obligated to make any Royalty payment before the Owner has been credited with the sale or other disposition of Minerals (but for greater certainty, shall be obligated to make such payment upon being credited with the sale or other disposition of Minerals, whether the Owner is in receipt of payment or not).
- (e) The Holder may object in writing to any statement or Royalty payment amount within eighteen (18) months of the receipt by the Holder of the relevant statement in respect of such payment. If it is determined by agreement of the Parties or by arbitration that any Royalty payment has not been properly paid in full as provided herein, the Owner shall pay interest on the delinquent payment at a rate per annum of Prime plus 6% per annum, (“**Interest**”), commencing on the date on which such delinquent payment was properly due and continuing until the date on which the Holder receives payment in full of such delinquent payment and all accrued interest thereon. For the purposes of this Subsection, Prime shall be determined as of the date on which such delinquent payment was properly due.
- (f) If it is determined by agreement of the Parties or by arbitration that any Royalty payment was overpaid, the Owner shall be entitled, at its discretion, to either: (i) offset such amount against the next Royalty payment; or (ii) request any such overpayment be repaid to the Owner within sixty (60) days of the date of such agreement or arbitration decision.

- (g) All Royalty payments, including Interest, if any, will be made subject to withholding or deduction in respect of the Royalty for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed or levied on such Royalty payment by or on behalf of any Governmental Authority having power and jurisdiction to tax and for which the Owner is obligated in law to withhold or deduct and remit to such Governmental Authority. The Owner shall set out in the statement referred to in Section 3(c) any amount so withheld.
- (h) All Royalty payments shall be made without deduction or set off for costs of production, milling, smelting, processing, transportation, taxes or other expenses whatsoever, except as provided in this NSR Agreement.
- (i) All tailings, waste rock or other waste products resulting from the mining, milling or other processing of ores derived from the Mining Property from and after the date of this NSR Agreement shall be the sole and exclusive property and responsibility of the Owner, but shall be subject to the Royalty and the terms of this NSR Agreement, including the provisions in respect of commingling, if such tailings, waste rock or other waste products are processed in the future resulting in the production of Minerals therefrom.

4. TERM

This NSR Agreement shall continue in perpetuity, it being the intent of the Parties hereto that the Royalty shall constitute a covenant running with and binding upon the mining rights associated with the Mining Property and all successions thereof, whether created privately or through governmental action, and binding upon the successors and assigns of the Owner and the successors in title to the Mining Property.

5. COMMINGLING

- (a) Subject to Subsection 5(b) below, the Owner shall be entitled to commingle Minerals from the Mining Property and from any other properties owned or leased by the Owner, during the stockpiling, milling (concentrating), smelting, refining, minting, separating or further processing of Minerals produced from the Mining Property, but, for greater certainty, not at any time prior to or during the mining phase of production.
- (b) Before any Minerals are commingled with ores or minerals from any other properties, including stockpiling, the Minerals shall be measured and sampled in accordance with standard mining and metallurgical practices. Representative samples of the Minerals shall be retained by the Owner and assays and appropriate analyses of these samples shall be made before commingling to determine metal, mineral, water and other appropriate content of the Minerals as well as the corresponding recovery rates in the process selected for its treatment. From this information, the Owner shall determine the quantity of the Minerals subject to the Royalty notwithstanding that the Minerals have been commingled with ores or minerals from other properties. Absent objection made by the Holder pursuant to Section 3(e), the Owner may dispose of the materials and data required to be produced and kept by this Section after a period of six (6) years from the date such materials and data are produced.

6. HEDGING TRANSACTIONS

All profits, losses and expenses resulting from the Owner engaging in any commodity futures trading, option trading, metals trading, metal loans, and any other hedging transactions or any combination thereof (collectively “**Hedging Transactions**”) are specifically excluded from calculations

of Royalty payments pursuant to this NSR Agreement. All Hedging Transactions shall be for the Owner's sole account and shall not affect the calculation and payment to the Holder of the Royalty payment which shall be calculated and paid in accordance with Section 3 without regard for any Hedging Transactions.

7. STOCKPILING

Subject to Subsections 3(c) and 5(b) of this NSR Agreement, the Owner or operator shall be entitled to stockpile, store or place ores or mined rock containing Minerals produced from the Mining Property in any locations owned, leased or otherwise controlled by the Owner or its Affiliates or the Processor on or off the Mining Property, provided the same are appropriately identified as to ownership and origin and secured from loss, theft, tampering and contamination.

8. BOOKS; RECORDS; INSPECTIONS

- (a) The Owner shall keep true, complete and accurate books and records of all of its operations and activities with respect to the Mining Property, including the mining of Minerals therefrom and the mining, treatment, processing, refining and transportation of Minerals, prepared in accordance with generally accepted accounting principles, consistently applied. Subject to complying with the confidentiality provisions of this NSR Agreement, the Holder and/or its authorized representatives shall be entitled, upon delivery of three (3) Business Days advance notice, and during the normal business hours of the Owner, to perform audits or other reviews and examinations of the Owner's books and records relevant to the calculation and payment of the Royalty pursuant to this NSR Agreement no more than once per calendar year to confirm compliance with the terms of this NSR Agreement, including without limitation, calculations of Net Smelter Returns. Without limiting the generality of the foregoing, the Holder shall have the right to audit all invoices and other records relating to the transportation of Minerals from the Mining Property to any mill, refinery or other Processor at which Minerals from the Mining Property may be milled, smelted, concentrated, refined or otherwise treated or processed, and relating to the transportation of Minerals in the form of concentrates, doré, slag or other waste products from any mill at which Minerals from the Mining Property may be milled, to a Processor. The Holder shall diligently complete any audit or other examination permitted hereunder. All expenses of any audit or other examination permitted hereunder shall be paid by the Holder, unless the results of such audit or other examination permitted hereunder disclose a deficiency in respect of any Royalty payments paid to the Holder hereunder in respect of the period being audited or examined in an amount greater than 5% of the amount of the Royalty properly payable with respect to such period, in which event all expenses of such audit or other examination shall be paid by the Owner.
- (b) In performing such audit the Holder and/or its agents shall have reasonable access to all sampling, assay, weighing, and production records, including all mining, stockpile and milling records of the Owner relating to the Mining Property and any Minerals derived from the Mining Property (and the Holder shall be allowed to make notes or a photocopy thereof), all of which such records shall be kept and retained by the Owner or operator of the Mining Property in accordance with good mining industry practice for the period of retention set out in Subsection 5(b).

9. RIGHTS TO MONITOR PROCESSING OF MINERALS

Subject at all times to the workplace rules and supervision of the Owner, and provided any rights of access do not interfere with any exploration, development, mining or milling work conducted on the Mining Property or at any mill at which Minerals from the Mining Property may be processed, the Holder

shall at all reasonable times and upon reasonable notice, and at its sole risk and expense, have: (a) a right of access by its representatives to the Mining Property and to any mill used by the Owner to process Minerals derived from the Mining Property (provided that in the event such mill is not owned or controlled by the Owner, such right of access shall only be the same as any such right of access of the Owner; and (b) the right: (i) to monitor the Owner's stockpiling and milling of ore or Minerals derived from the Mining Property and to take samples from the Mining Property or any stockpile or from any mill or Processor (if not prohibited under any contract between the Owner and any such Processor) for purposes of assay verifications; and (ii) to weigh or to cause the Owner to weigh all trucks transporting Minerals from the Mining Property to any mill processing Minerals from the Mining Property prior to dumping of such ore and immediately following such dumping.

10. CONFIDENTIALITY

- (a) Subject to Section 15, no party shall, without the express written consent of the others (which consent shall not be unreasonably withheld), disclose any non-public information in respect of the terms of this NSR Agreement or otherwise received under or in conjunction with this NSR Agreement and, in the case of the Holder, concerning Minerals and operations on the Mining Property or any other property owned or leased by the Owner, other than to its employees, agents and/or consultants for purposes related to the administration, or assignment by the Holder, of this NSR Agreement and no party shall issue any press releases concerning the terms of this NSR Agreement or, in the case of the Holder, in respect of the operations of the Owner, without the consent of the other parties after such party having first reviewed the terms of such press release. Each party agrees to reveal such information only to its employees, agents and/or consultants who need to know, who are informed of the confidential nature of the information and who agree to be bound by the terms of this Section 10.
- (b) The Parties may disclose data or information obtained under or in conjunction with this NSR Agreement and otherwise prohibited from disclosure by this Section 10 after providing the other Parties with a copy of the proposed disclosure and if the other Parties do not object, acting reasonably, to such disclosure by notice in writing to such party within 48 hours after receipt of such copy:
 - (iii) to any third person to whom such party in good faith anticipates selling or assigning its interest hereunder;
 - (iv) to a prospective lender to such party; or
 - (v) to a prospective equity financier or investor of such party;
 - (vi) provided that in each case the party to whom disclosure is proposed shall first have been provided with and signed and delivered to the other party a confidentiality agreement executed by such third party purchaser, lender, financier or investor which agreement shall include the confidentiality provisions of this Section 10.
- (c) The Parties may disclose data or information obtained under this NSR Agreement if required to do so for compliance with applicable laws, rules, regulations or orders of a Governmental Authority having jurisdiction over such Parties, provided that such party shall disclose only such data or information as, in the opinion of its counsel, is required to be disclosed and provided further that it will provide the other Parties with a copy of the proposed disclosure and the other Parties shall, to the extent practicable pursuant to applicable laws, be given the right to review and object to the data or information to be disclosed within 48 hours of its receipt of such copy

prior to any release, and any such release will be subject to any reasonable objections or changes proposed by such other Parties.

11. CONDUCT OF OPERATIONS

- (a) Subject to Subsection 11(b) below, all decisions concerning methods, the extent, times, procedures and techniques of any: (i) exploration, development and mining related to the Mining Property; (ii) leaching, milling, processing or extraction treatment; and (iii) materials to be introduced on or to the Mining Property or produced therefrom, shall be made by the Owner in its sole and absolute discretion, and all decisions concerning the sale or other disposition of Minerals from the Mining Property, shall be made by the Owner acting with commercial reasonableness.
- (b) The Owner shall not be required to explore for or mine Minerals but shall process any Minerals that it mines from the Mining Property as expeditiously as commercially reasonably possible. No Royalty shall be due on and the Owner shall not be responsible for or obliged to make any Royalty payments for Minerals or Mineral value lost in any mining or processing of the Minerals conducted in accordance with accepted mining or processing practices.
- (c) The Owner shall be entitled to abandon the Mining Property (or any part thereof, including, for greater certainty, all or any part of Additional Property, if any), provided that it shall give 30 days' prior written notice to the Holder of its intention to do so. Upon subsequent escheat, forfeiture or conveyance back to the governmental entity that is entitled to the Mining Property (or any part thereof) upon such abandonment, this NSR Agreement shall be null and void and of no further force or effect with respect to the Mining Property (or any part thereof) that have been abandoned, but further provided that if the Owner or any Affiliate of the Owner re-stakes the land (or any part thereof, including, for greater certainty, any Additional Property) subject to the Mining Property at any time after such escheat, forfeiture or conveyance back to the governmental entity that is entitled to the Mining Property (or any part thereof) upon such abandonment, this NSR Agreement and the Royalty shall again be of force and effect and shall apply to such re-staked lands and any Minerals derived therefrom. For greater certainty, this NSR Agreement shall remain in force and effect with respect to that portion of the Mining Property that have not been abandoned pursuant to this Section 11(c).
- (d) Any net proceeds received as compensation for the expropriation or other involuntary surrender of the Mining Property or any Minerals derived from the Mining Property to a third party, after deducting all costs associated with such expropriation or other involuntary surrender, including all legal, accounting, valuation and other professional advisor fees, shall be deemed to be Net Smelter Returns hereunder.
- (e) For greater certainty, nothing in this NSR Agreement shall prohibit the Owner from acquiring additional properties that are within the vicinity of the Mining Property and, in such case, no Royalty shall be payable in respect of such properties unless such properties constitute Additional Property within the meaning of the JV Agreement, in which case the Royalty shall be payable in respect of such properties.

12. NO IMPLIED COVENANTS

The Parties agree that there are no implied covenants or duties relating to or affecting any of their respective rights or obligations under this NSR Agreement, and that the only covenants or duties which affect such rights and obligations shall be those expressly set forth and provided for in this NSR Agreement.

13. ASSIGNMENT BY HOLDER

- (a) Subject to Subsections 13(b) and 13(c) below, the Holder shall have the right, at any time and from time to time, to transfer, sell, or otherwise assign any portion or all of the Royalty and its interest in and to this NSR Agreement.
- (b) In the event that the Holder wishes to exercise its rights under 13(a) above, the Holder shall notify the Owner in writing thirty (30) days prior to the completion of any such transfer, sale or other assignment (any such transaction, a “**Sale**”), confirming the identity of such transferee (the “**Transferee**”), the appropriate Place of Delivery and the new address for notice to such Transferee as well as the terms of such Sale (the “**Sale Notice**”). Other than in connection with a proposed Sale to an Affiliate of the Holder, the Owner shall have the right to match the terms of any such Sale by providing written notice (the “**Matching Notice**”) to the Holder of its intentions to do so within twenty one (21) days of receipt of such Sale Notice from the Holder (the “**Deadline Date**”). The Holder shall not complete the Sale of the Royalty until after the Deadline Date. In the event the Owner sends a Matching Notice, the Holder shall sell that portion of the Royalty subject to the Sale to the Owner and not to the Transferee on the terms set out in the Sale Notice. In the event the Holder has not received a Matching Notice on or prior to the Deadline Date, the Holder may proceed with the Sale of the Royalty to the Transferee without any further obligations under this Section 13 to the Owner so long as such Sale is on the terms set out in the Sale Notice. In the event the Owner sends a Matching Notice to the Holder, the Owner shall be prepared to close the purchase of the Royalty within thirty (30) days of the Deadline Date on the terms set out in the Sale Notice, failing which the Holder may complete the Sale to the Transferee on the terms set out in the Sale Notice without any further notice or obligations to the Owner. In the event the Owner does not provide the Matching Notice by the Deadline Date, the Holder shall complete the Sale of the Royalty to the Transferee within thirty (30) days of the Notice Date on the terms set out in the Sale Notice, failing which the Owner shall again have the option to match any such Sale on the terms otherwise agreed to between the Holder and the Transferee.
- (c) A condition for any Sale to a Transferee is that the Transferee agrees in advance in writing in favour of the Owner to be bound by the terms of this NSR Agreement.

14. TRANSFER BY OWNER

The Owner shall be entitled to assign, sell, transfer, lease, mortgage, charge or otherwise encumber any of the Mining Property or the Minerals or the proceeds thereof and its rights and obligations under this NSR Agreement, provided the following conditions are satisfied, and upon such conditions being satisfied in respect of any such assignment, sale or transfer only (but not in respect of any such lease, mortgage, charge or other encumbrance), and subject to the provision of Section 19.3 below, the Owner shall be released from all obligations under this NSR Agreement:

- (a) any purchaser, transferee, lessee or assignee of such Mining Property or this NSR Agreement agrees in advance in writing in favour of the Holder to be bound by the terms of this NSR Agreement including, without limitation, this Section 14 and the indemnity provisions set out in Section 17 of this NSR Agreement;
- (b) any purchaser, transferee or assignee of this NSR Agreement has simultaneously acquired the Owner’s right, title and interest in and to such Mining Property;
- (c) any mortgagee, chargee, lessee, assignee or encumbrancer of such Mining Property or this NSR Agreement agrees in advance in writing in favour of the Holder to be bound by and subject to the

terms of this NSR Agreement in the event it takes possession of or forecloses on all or part of such Mining Property and acknowledges that the Holder shall be entitled to receive the Royalty payments to which it is entitled hereunder in priority to any payments to such mortgagee, chargee, lessee, assignee or encumbrancer and undertakes to obtain an agreement in writing in favour of the Holder from any subsequent purchaser, lessee, assignee or transferee of such mortgagee, chargeholder, lessee or encumbrancer that such subsequent purchaser, lessee, assignee or transferee will be bound by the terms of this NSR Agreement including, without limitation, this Section 14; and

- (d) any royalty or other similar interest in or to such Mining Property, or in and to any Minerals, granted by the Owner after the date hereof, shall contain a term to the effect that no payment thereof, in cash or in product in kind, shall be made until the Royalty hereunder has been paid in full for the relevant time period.

15. REGISTRATION

It is the express intention of the Parties to this NSR Agreement that the Royalty shall run with the mining rights associated with the Mining Property and be binding upon the successors of the Owner in title to the Mining Property. Notwithstanding Section 10, the Holder may cause, at its own expense, the due registration or recordation of this NSR Agreement or notice of this NSR Agreement against the title to the Mining Property. The Owner covenants and agrees that it shall co-operate with such registration or recordation and provide its written consent or signature to any documents or things reasonably necessary to accomplish such registration or recordation in order to ensure that any successor or assignee or other acquiror or encumbrancer of the Owner's title to the Mining Property, or any interest therein, shall have public notice of this NSR Agreement and the terms of this NSR Agreement and in order that the Holder may cause to be registered a restriction against the mining rights to the Mining Property in the appropriate public registries restricting the sale, lease, transfer, charge or transfer of charge of the Mining Property, in whole or in part, without the written consent of the Holder, which written consent shall be granted by the Holder without condition within five (5) Business Days of the receipt by the Holder of a request for such written consent provided that such sale, lease, transfer, charge or transfer of charge is in compliance with Section 14 of this NSR Agreement. In the event that such sale, lease, transfer, charge or transfer of charge is in compliance with Section 14 of this NSR Agreement and evidence to such effect has been delivered to the Holder and the Holder has not delivered its written consent in accordance with, and within the time frame set out in, this Section 15, then the Holder shall be deemed to have duly granted such consent.

16. DISPUTE RESOLUTION

- (a) Any and all claims, disputes, questions or controversies involving the Parties arising out of or in connection with this NSR Agreement (collectively, "**Disputes**") that cannot be finally resolved by such Parties within sixty days of arising by good-faith negotiation shall be resolved by final and binding arbitration.
- (b) Any Party may refer any Dispute to arbitration by notice to the other Party following the expiry of the sixty day period referred to in Section 16(a) and, within 10 Business Days after receipt of such notice, the involved Parties shall together select and appoint one arbitrator to resolve the Dispute. If the Parties are unable to agree on the appointment of an arbitrator within a reasonable time, they shall promptly request a court in Saskatoon, Saskatchewan to appoint an arbitrator, and such court's appointment shall be binding on the Parties. Any person appointed to act as the arbitrator shall be a disinterested person qualified by experience to hear and determine the

questions to be arbitrated. No person will be appointed as an arbitrator hereunder unless such person agrees in writing to act.

- (c) Arbitrations shall be conducted pursuant to *The Arbitration Act, 1992* (Saskatchewan). In the event that these regulations are impossible to apply, the General Arbitration Law will be applied and/or the laws that substitute or modify it, as may be the case.
- (d) Arbitrations will be performed in the city of Saskatoon, Saskatchewan, in English, and its duration shall not exceed ninety (90) calendar days from the formation and integration of the arbitration tribunal.
- (e) The arbitrator shall not award punitive, incidental, or consequential or other damages and shall be bound by the limitations in this NSR Agreement.
- (f) In connection with the arbitration proceedings, the Parties hereby agree to cooperate in good faith with each other and the arbitrator and to use their respective best efforts to respond promptly to any reasonable discovery demand made by such Party and the arbitrator. The Parties covenant that they shall conduct all aspects of such arbitration having regard at all times to expediting the final resolution of such arbitration.
- (g) The determination of such arbitrator shall be final and binding upon the Parties hereto. The decision of the arbitrator tribunal will be definitive and unappealable. The Parties agree not to seek judicial recourse against the decision of the arbitrator, with the exception of seeking clarification before the arbitration tribunal itself.
- (h) Each Party shall bear its own arbitration expenses unless the arbitrator determines that it would be equitable if all or a portion of the prevailing Party's expenses should be borne by the other Party. Unless the decision of the arbitrator provides for non-monetary remedies, any payments required by decisions of the arbitrator shall be made and shall be promptly payable in Canadian dollars. All monetary remedies shall include interest from the date of any breach or other violation of this NSR Agreement until the date when the amount is paid in full.
- (i) Except as otherwise required by applicable Laws, the arbitration proceedings and the decision of the arbitrator shall not be made public without the joint consent of the Parties and each Party shall maintain the confidentiality of such proceedings and the decision of the arbitrator.

17. REPRESENTATIONS AND WARRANTIES OF AND INDEMNITY BY THE OWNER

- (a) The Owner hereby represents and warrants that it has the corporate power, capacity and authority to grant the Royalty to the Holder and such grant, and the execution and delivery of this NSR Agreement by the Owner has been duly authorized by all required corporate action of the Owner and this NSR Agreement represents a valid and binding obligation of the Owner duly enforceable against it by the Holder.
- (b) It is acknowledged that the Holder has no involvement in the carrying out of work related to or conducted on, in or under the Mining Property or in any decisions related to the Mining Property or any work related to or conducted on, in or under the Mining Property from and after the date of this NSR Agreement, all such matters being in the sole control of the Owner. Other than in respect of loss of profits, the Owner hereby indemnifies and saves harmless the Holder and their respective Affiliates and their respective directors, officers, shareholders and employees from and against any and all costs, expenses, (including reasonable fees and expenses of legal counsel),

damages, obligations, penalties, claims, orders or directives or other liability of any nature whatsoever (“**Claims**”) incurred in respect of or arising out of the Mining Property or the title thereto or ownership thereof, or any work, operation, activities or event thereon, therein or thereunder or related thereto, conducted or arising from and after the date of this NSR Agreement.

18. RIGHT OF REPURCHASE OF ROYALTY

The Owner shall have the option to buy back the entire Royalty on the Hoidas Lake Project from the Holder for an amount equal to 2% (two percent) of the net present value of the Hoidas Lake Project as determined by the Feasibility Study which served as the basis for the applicable Production Decision.

19. GENERAL PROVISIONS

19.1 **Notices.** In order to be effective, any notice (“**Notice**”) must be in writing. A Notice is effective if it is delivered (i) personally, either to the individual designated below for such Party, or to an individual having apparent authority to accept deliveries on behalf of such individual at its address set out below; (ii) by fax, or (iii) by electronic mail, at or to the applicable addresses or electronic mail addresses, set out opposite the Party’s name below or at or to such other address or electronic mail address for a Party as such Party from time to time designates to the other Party in the same manner:

in the case of the Owner, to:

[Name and address]
Attention:
Fax:
Email:

in the case of the Holder, to:

[Name and address]
Attention:
Fax:
Email:

Any Notice is effective : (i) if personally delivered as described above, on the day of delivery if that day is a Business Day, and it was delivered before 5:00 p.m. local time in the place of delivery or receipt, and otherwise on the next Business Day; or (ii) if sent by fax, on the day of transmission, if that day is a Business Day and the fax transmission was made before 5:00 p.m. local time in the place of delivery or receipt, and otherwise on the next Business Day; or (iii) if by electronic mail, on the day the sender receives confirmation of receipt by return electronic mail from the recipient, if that day is a Business Day and if the confirmation was received prior to 5:00 p.m. local time in the place of delivery or receipt, and otherwise, on the next Business Day.

19.2 **Severability.**

The invalidity or unenforceability of any particular provision of this NSR Agreement will not affect or limit the validity or enforceability of the remaining provisions. To the extent that any such provision is found to be invalid or unenforceable, the Parties shall act in good faith to

substitute for such provision, to the extent possible, a new provision with content and purpose as close as possible to the provision so determined to be invalid or unenforceable.

19.3 **Assignment.**

Any assignment, transfer, conveyance, mortgage, pledge or charge or lease or purported assignment, transfer, conveyance, mortgage, pledge or charge or lease of any interest in the Mining Property by the Owner, or in, to or arising under this NSR Agreement by the Owner or the Holder, which does not comply with the terms of this NSR Agreement shall be null and void and of no force or effect whatsoever. Notwithstanding any other provision in this NSR Agreement, including the provisions of Section 14 of this NSR Agreement, the Owner shall remain liable for all covenants, agreements, obligations, representations and warranties of the Owner contained in this NSR Agreement, despite any assignment, transfer, conveyance, mortgage, pledge, charge or lease of any interest in the Mining Property by the Owner (or an Affiliate of the Owner), or in, to or arising under this NSR Agreement, to any Affiliate of the Owner, until such time as the Affiliate so acquiring is released pursuant to Section 14.

19.4 **Further Assurances.**

Each party shall execute all such further instruments and documents and do all such further actions as may be necessary to effectuate the documents and transactions contemplated in this NSR Agreement, in each case at the cost and expense of the party requesting such further instrument, document or action, unless expressly indicated otherwise.

19.5 **Governing Law.**

This NSR Agreement will be construed according to and governed by the laws in force in Saskatchewan and, except where matters are expressed herein to be subject to arbitration, the courts of Saskatoon, Saskatchewan will have the exclusive jurisdiction to hear and determine all disputes arising hereunder. Nothing contained in this Section 19.5 is intended to affect the rights of a Party to enforce a judgment or award outside of Saskatchewan.

19.6 **Waiver.**

No waiver of satisfaction of a condition or non-performance of an obligation under this NSR Agreement is effective unless it is in writing and signed by the Party granting the waiver. No waiver under this Section affects the exercise of any other rights under this NSR Agreement.

19.7 **Business Date.**

Whenever any payment to be made or other action to be taken under this NSR Agreement is required to be made or taken on a day other than a Business Day, such payment shall be made or action shall be taken on the next following Business Day.

19.8 **Relationship of the Parties.**

Nothing herein shall be construed to create, expressly or by implication, a joint venture, mining partnership, commercial partnership, or other partnership relationship between the Owner and the Holder.

19.9 **Time of Essence.**

Time shall be of the essence of this NSR Agreement.

19.10 **Accounting Principles.**

All calculations hereunder shall be made in accordance with Canadian generally accepted accounting principles as the same may be in effect from time to time.

19.11 **Counterparts.**

This NSR Agreement may be signed in any number of counterparts, each of which is an original, and all of which taken together constitute one single document. Counterparts may be transmitted by fax or in electronically scanned form and such counterparts will be deemed to be originals.

[remainder of this page intentionally left blank]

This NSR Agreement has been executed by the Parties with effect on the date first written above.

[NAME]

Per: _____
Name:
Title:

Per: _____
Name:
Title:

[NAME]

Per: _____
Name:
Title:

Per: _____
Name:
Title:

SCHEDULE "A" to Net Smelter Returns Royalty Agreement

Mining Property

AS SET OUT IN SCHEDULE A OF THE OPTION AND JOINT VENTURE AGREEMENT BETWEEN GREAT WESTERN MINERALS GROUP LTD. AND STAR MINERALS GROUP LTD. DATED EFFECTIVE DECEMBER 3, 2013 AND SHALL INCLUDE ANY "ADDITIONAL PROPERTY".

**SCHEDULE D –
1.8% NSR AGREEMENT**

[See attached]

**SCHEDULE E –
ENVIRONMENTAL MATTERS SCHEDULE**

Part 5.2(1)(i)

- A. Removal of existing Hoidas Lake exploration camp and remediation of applicable site;
- B. Removal of existing Heli-pad and dock located at the Hoidas Lake exploration camp, removal of miscellaneous equipment and fuel and remediation of applicable site;
- C. Core storage racks and facilities at Hoidas Lake; and
- D. Bulk sample long term storage and/or disposal.