

JOINT VENTURE AGREEMENT

THIS AGREEMENT made as of the 16 day of OCTOBER, 2010.

BETWEEN:

ENCANTO RESOURCES LTD.
(hereinafter referred to as "**Encanto**")

AND:

MUSKOWEKWAN FIRST NATION
(hereinafter referred to as the "**First Nation**")

AND

MUSKOWEKWAN RESOURCES LIMITED PARTNERSHIP,
by and through its General Partner **MUSKOWEKWAN RESOURCES LTD.**
(hereinafter referred to as "**MRL**")

WHEREAS:

1. Encanto Resources Ltd. and Encanto Potash Corporation are Calgary-based junior resource exploration and development companies that intend to develop potash reserves in central Saskatchewan, including conducting development activities on the First Nation's reserve lands.
2. The First Nation is interested in agreeing to facilitate with the Crown(as defined herein), Encanto's desire to develop and produce potash reserves on the First Nation reserve lands.
3. A portion of the mineral rights in respect of the First Nation's lands have not been previously surrendered to the Crown and a portion of the mineral rights in respect of the First Nation's lands have previously been surrendered to the Crown.
4. MRL is a limited partnership that is wholly owned by the First Nation and has been provided full authority and power by the First Nation to enter into this Agreement and to hold certain benefits that would otherwise accrue to the First Nation under this Agreement.
5. Encanto, the First Nation and MRL with the involvement of the Crown, are interested in entering into a mutually beneficial agreement in order to proceed with the development and production of potash on the First Nation's reserve lands. The areas of mutual interest established between Encanto and the First Nation comprise the entire First Nation's reserve lands, approximately 20,000 gross acres set out in Schedule "A" attached hereto ("**Non-Designated Lands**") and the entire First Nation's reserve lands, noted as approximately 16,320 gross acres set out in the attached Schedule "B" ("**Designated Lands**").
6. Encanto, the First Nation and MRL entered into an Exploration Participation Agreement (Indian Act) dated July 31, 2009, supported by a Band Council Resolution dated July 31, 2009 (the "**EPA (Non-Designated)**") and an Exploration Participation Agreement (Indian Mining Regulations) dated July 31,

2009, supported by a Band Council Resolution dated July 31, 2009 (the “**EPA (Designated)**”), each of which governed the activities of the parties through the term of the exploration phase of the project.

7. Subject to the terms of the EPA (Non-Designated) and EPA (Designated), the parties have completed certain permitting and exploration activities on the First Nation’s reserve lands.

8. In connection with the EPA (Non-Designated), the Crown granted a permit under section 28(2) and 58(4)(b) of the *Indian Act* (Canada) (the “**Act**”) to MRL dated November 9, 2009 (“**Permit (Non-Designated)**”) granting the right to MRL to explore and develop potash reserves within the Non-Designated Lands.

9. In connection with the EPA (Designated), the Crown granted a permit under section 6 of the *Indian Mining Regulations* (Canada) (the “**Regulations**”) to MRL dated November 9, 2009 (“**Permit (Designated)**”) granting the right to MRL to explore and develop potash reserves within the Designated Lands.

10. Pursuant to the terms of the EPA (Non-Designated) and EPA (Designated), upon Encanto providing the Election Notice (as defined herein) to the First Nation and MRL, MRL will be required to apply for a Lease or Leases, which Lease(s) MRL shall be required to contribute to the Joint Venture on the terms set forth herein.

11. The parties wish to create a joint venture to carry out the Project on the terms and subject to the conditions hereinafter set forth.

12. The execution of this Agreement by the First Nation has been supported by a BCR (as defined herein) dated ♦, a copy of which is attached as Schedule “C”.

13. EPC has agreed to guarantee the obligations of ERL under this Agreement and each of the Royalty Agreement, Development Fee Agreement and Operating Agreement in the form set forth in Schedule “G”.

14. This Agreement is the Definitive Agreement as contemplated in the EPA (Non-Designated) and EPA (Designated).

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

ARTICLE 1 DEFINITIONS

1.1 In this Agreement, including the Recitals and Schedules hereto the following words and expressions shall have the following meanings:

- (a) “**Act**” means the Indian Act (Canada), R.S.C. 1985, c.1-5, as amended from time to time;
- (b) “**ADRIC**” has the meaning set forth in Section 14.3;
- (c) “**Affiliate**” and “**Associate**” shall have the same meaning as given those terms under the *Business Corporations Act* (Canada) as at the date hereof;

- (d) **"Agreement"** means this Joint Venture Agreement as amended from time to time;
- (e) **"Band Business Entity"** means a joint venture, partnership, corporation or other business organization in which a majority of shares and/or the controlling interest is held directly or indirectly by the First Nation but does not include corporations, partnerships or other business organizations owned in whole or in part by individual Members;
- (f) **"BCR"** means a written resolution of the Council signed by at least a quorum of the Council, which resolution has been passed by the Council at a duly convened meeting of the Council;
- (g) **"Commercial Production"** means the operation of the Property as a producing mine and the production of Potash Products therefrom (excluding bulk sampling, pilot plant or test operations);
- (h) **"Completion Date"** means the date on which it is demonstrated to the satisfaction of the Management Committee that the preparing and equipping of a Mine for Commercial Production is complete;
- (i) **"Construction"** means every kind of work carried out during the Construction Period by the Operator in accordance with a Feasibility Report approved by the Management Committee;
- (j) **"Construction Period"** means the period beginning on the date of a Feasibility Report being approved by the Management Committee and ending on the Completion Date;
- (k) **"Costs"** means all items of outlay and expense whatsoever, direct or indirect, with respect to Mining Operations in accordance with this Agreement, without limiting the generality of the foregoing, the following categories of Costs shall have the following meanings:
 - (i) **"Mine Construction Costs"** means those Costs incurred during the Construction Period;
 - (ii) **"Mine Costs"** means Mine Construction Costs and Operating Costs; and
 - (iii) **"Operating Costs"** means those Costs incurred subsequent to the Completion Date;
- (l) **"Crown"** means Her Majesty the Queen in right of Canada;
- (m) **"Designated Lands"** has the meaning set forth in the recitals hereto, which for greater certainty means those lands set out on the attached Schedule "B";
- (n) **"Development Fee Agreement"** means the agreement providing for payment of the Development Fee entered into concurrently with this Agreement in the form set forth in Schedule "E";

- (o) **“Development Fee”** means the fee in the aggregate amount of \$1,000,000 to be paid by Encanto to the First Nation in accordance with the terms of the Development Fee Agreement;
- (p) **“Dispute”** has the meaning set forth in Section 14.1;
- (q) **“Documents”** has the meaning set forth in Section 18.1;
- (r) **“Election Notice”** means a written notice from Encanto to the First Nation pursuant to which Encanto may elect to proceed with requiring MRL to apply for a Lease;
- (s) **“Environmental Compliance”** means actions performed during the entire term of the Project, whether before, during or after the Construction of the Project or the Mine, to comply with the requirements of all Environmental Laws or contractual commitments related to the Property, the Project, the Mine and any construction whatsoever in connection with all Environmental Laws and to recognize the traditional ecological knowledge of the First Nation’s elders and members and any cultural, historical and traditional areas of the First Nation, including compliance with environmental requirements of any Lease;
- (t) **“Environmental Laws”** means all applicable environmental Laws, including, but not limited to environmental Laws aimed at reclamation or restoration of the Property; abatement of pollution; protection of the environment; monitoring environmental conditions; protection of wildlife, including endangered species; ensuring public safety from environmental hazards; protection of cultural or historic resources; management, storage or control of hazardous materials and substances; releases or threatened releases of pollutants, contaminants, chemicals or industrial, toxic or hazardous substances into the environment, and all other Laws relating to the manufacturing, processing, distribution, use, treatment, storage, disposal, handling or transport of pollutants, contaminants, chemicals or industrial, toxic or hazardous substances or wastes;
- (u) **“EPA (Designated)”** has the meaning set forth in the recitals hereto;
- (v) **“EPA (Non-Designated)”** has the meaning set forth in the recitals hereto;
- (w) **“EPC”** means Encanto Potash Corp., the parent company of Encanto;
- (x) **“Feasibility Report”** means a detailed written report prepared by a qualified expert, which is appointed by the Management Committee of the results of a comprehensive study on the economic feasibility of placing the Property or a portion thereof into Commercial Production and shall include a reasonable assessment of the potash reserves, a description of the work, equipment and supplies required to bring the Property or a portion thereof into Commercial Production and the estimated cost thereof, a description of the mining methods to be employed and a financial appraisal of the proposed operations supported by an explanation of the data used therein;
- (y) **“Joint Venture”** means the joint venture created pursuant to this Agreement;

- (z) **"JVA Transfer"** has the meaning set forth in Section 20.2;
- (aa) **"Intervening Event"** has the meaning set forth in Section 19.1;
- (bb) **"Law"** or **"Laws"** means all federal and provincial 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, administrative or judicial in nature, including any applicable First Nation's by-laws or laws which have been duly passed by the First Nation under the terms of the Act or other federal statute and including Environmental Laws, which are applicable to the Property or Project, regardless of whether or not in existence 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;
- (cc) **"Lease"** has the meaning set forth in Section 2.2;
- (dd) **"Lease Actions"** has the meaning set forth in Section 3.5;
- (ee) **"Management Committee"** means the management committee constituted in accordance with the provisions of Article 4 hereof to manage or supervise the management of the business and affairs of the Joint Venture;
- (ff) **"Mine"** means the workings established and assets acquired, including, without limiting the generality of the foregoing, extraction and processing facilities, product storage area, infrastructure, housing, and other facilities in order to bring the Property into Commercial Production;
- (gg) **"Mining Operations"** means every kind of work done by the Operator:
 - (i) on or in respect of the Property in accordance with a Feasibility Report; or
 - (ii) if not provided for in a Feasibility Report, unilaterally and in good faith to maintain the Property in good standing, to prevent waste or to otherwise discharge any obligation which is imposed upon it pursuant to the Operating Agreement and in respect of which the Management Committee has not given it directions;including, without limiting the generality of the foregoing, investigating, prospecting, exploring, developing, property maintenance, preparing reports, estimates and studies, designing, equipping, improving, surveying, Construction and mining, milling, concentrating, rehabilitation, reclamation, and environmental protection.
- (hh) **"Non-Designated Lands"** has the meaning set forth in the recitals hereto, which for greater certainty means those lands set out on the attached Schedule "A";
- (ii) **"Operating Agreement"** means the agreement providing for the appointment of the Operator and setting forth the corresponding power, duties and obligations of the Operator entered into concurrently with this Agreement in the form set forth in Schedule "F";

- (jj) **“Operator”** means the operator appointed by the parties pursuant to the Operating Agreement;
- (kk) **“party”** or **“parties”** means the parties to this Agreement and their respective successors and permitted assigns which become parties to this Agreement;
- (ll) **“Permit (Designated)”** has the meaning set forth in the recitals hereto;
- (mm) **“Permit (Non-Designated)”** has the meaning set forth in the recitals hereto;
- (nn) **“Permits”** means the Permit (Non-Designated) and the Permit (Designated);
- (oo) **“Permit Actions”** has the meaning set forth in Section 6.1;
- (pp) **“Potash Products”** means the potash products derived from operating the Property as a Mine;
- (qq) **“Program”** means a plan, including budgets, for the Project or any part thereof as approved by the Management Committee pursuant to this Agreement;
- (rr) **“Project”** means the development of the Property, preparation and delivery of a Feasibility Report and the Construction and operation of facilities to put the Property into Commercial Production;
- (ss) **“Property”** means the Non-Designated Lands and the Designated Lands;
- (tt) **“Regulations”** means the *Indian Mining Regulation*, CRC 1978, c.956, as amended from time to time;
- (uu) **“Related Parties”** means, with respect to any person, such person’s Affiliates and Associates and the directors, officers and employees of such person and of such person’s Affiliates and Associates;
- (vv) **“Royalty”** means an amount equal to 3% of all revenues received from the sales of potash and Potash Products from the Property after the commencement of Commercial Production;
- (ww) **“Royalty Agreement”** means the agreement providing for payment of the Royalty entered into concurrently with this Agreement in the form set forth in Schedule “D”;
- (xx) **“Seismic Data (Non-Designated)”** has the meaning set forth in Section 10.1; and
- (yy) **“Seismic Data (Designated)”** has the meaning set forth in Section 10.2.

ARTICLE 2 PURPOSE AND CREATION OF THE JOINT VENTURE

2.1 The parties agree each with the other to form, associate and participate in the Joint Venture for the purpose of developing and operating the Property with the goal of eventually constructing Mine on the Property and putting the Property into Commercial Production should a Feasibility Report recommending Commercial Production be obtained and a decision to commence Commercial Production be made.

2.2 The First Nation and MRL agree as their contribution to the Joint Venture to contribute its entire equitable and beneficial interest in all mineral leases (each a "Lease") granted by the Crown pursuant to the Regulations in connection with the Property, as set out in Article 3 below, and to hold the Leases in trust and for the benefit of the Joint Venture.

2.3 Encanto agrees as its contribution to the Joint Venture to construct and operate the Project and to pay all monies and be responsible for all obligations and liabilities of the Joint Venture in connection with the Project, including the costs of a Feasibility Study and the costs of operation of the Management Committee, and to perform the duties contemplated by this Agreement to be performed by Encanto. Except for the payment of the Royalty pursuant to the Royalty Agreement, the payment of the Development Fee pursuant to the Development Fee Agreement and any other benefits and rights provided to MRL and the First Nation pursuant to this Agreement, Encanto shall be entitled to receive all revenues and benefits of the Joint Venture.

2.4 MRL or its nominee shall be entitled to receive the Royalty pursuant to the Royalty Agreement.

2.5 Encanto will pay the royalty required to be paid by MRL to the Crown under the Regulations and the Leases.

2.6 As soon as is reasonably practicable after the execution of this Agreement, EPC shall issue to MRL 200,000 common shares from its treasury and grant MRL a common share purchase warrant exercisable for a period of two years from the date of issue, entitling MRL to acquire an additional 200,000 common shares at the lowest exercise price permissible by the TSX Venture Exchange, or such other exchange that the common shares of EPC are then listed. The First Nation and MRL acknowledge that the shares and warrants of EPC issued to MRL pursuant to this Agreement will be subject to all applicable securities regulations and other legal requirements relating to resale restrictions and escrow agreements.

2.7 The parties have not created a partnership and nothing contained in this Agreement shall in any manner whatsoever constitute a party the partner, agent or legal representative of any other party or create any fiduciary relationship between them for any purpose whatsoever, except as set out in this Agreement. No party shall have any authority to act for or to assume any obligations or responsibility on behalf of any other party except as may be, from time to time, agreed upon in writing between the parties or as otherwise expressly provided.

2.8 The rights and obligations of each party shall be in every case several and not joint or joint and several.

2.9 The rights and obligations of the parties created under this Agreement shall be strictly limited to the Project and shall not be extended by implication or otherwise, except with the unanimous written consent of the parties.

2.10 Each party shall do all things and execute all documents necessary in order to maintain the Property and the Leases in good standing.

2.11 No party or any Related Party to a party shall be entitled to receive any payment, compensation, participation right, income or any other benefit of any nature whatsoever in connection with or related to the Project, except as expressly set forth in this Agreement. For greater certainty, no party, any Related Party to a party, or any third party contractor or other entity engaged by a party will be required to pay or otherwise be subject to any tax, tariff, licensing or permitting requirement, restriction on rights of ingress or egress, penalties or fees of any kind, except as expressly set forth in this Agreement.

ARTICLE 3 LEASES

3.1 In connection with the Non-Designated Lands, within 30 days after receiving an Election Notice, the First Nation shall apply to the Crown pursuant to section 38(2) of the Act to designate in favour of the Crown by way of surrender that is not absolute, the required rights and interests of the First Nation and its members in the mineral rights in the Non-Designated Lands and use its best efforts to obtain, pursuant to section 39 of the Act, the assent of a majority of electors of the First Nation under the referendum process prescribed by the *Indian Referendum Regulations* (Canada). The parties acknowledge that completion of this designation process is a condition precedent to the granting of a Lease by the Crown. Encanto acknowledges and understands that there is no guarantee that the designation will be assented to by the electors or that the designation even if assented to by the electors will be approved by the Governor in Council. Upon completion of the designation process, MRL will apply, as soon as practicable, for a Lease pursuant to the Regulations.

3.2 In connection with the Designated Lands, within 30 days after receiving an Election Notice, MRL will apply for a Lease pursuant to the Regulations.

3.3 The parties acknowledge and agree that MRL may be granted:

- (a) one Lease in connection with the Non-Designated Lands and/or one Lease for the Designated Lands; or
- (b) one Lease in connection with both the Non-Designated Lands and the Designated Lands.

3.4 MRL shall apply for and will use its best efforts to ensure that the term of a Lease will be for the maximum term (with all applicable extensions) permitted under the Regulations and that the royalty to be paid under the terms of a Lease to the Crown will not exceed that provided for in the Regulations and all other terms and conditions of the Lease shall be subject to the approval of MRL and Encanto.

3.5 Upon the grant of a Lease by the Crown to MRL on terms acceptable to Encanto, Encanto agrees to be bound by and to undertake and fulfill each and every term, duty, obligation and

responsibility of MRL, as lessee, under the Lease as if Encanto were a party to the Lease. Provided that Encanto complies with its obligations under this section, MRL agrees to execute and deliver all documents, respond to all Crown inquiries and attend to all matters and filings necessary to maintain the Lease in good standing including, without limitation, apply for and obtain all extensions of such Lease (collectively, the “Lease Actions”). To the extent that MRL fails or neglects to do so, Encanto may execute the Lease Actions on behalf of MRL and for that express purpose, MRL hereby constitutes and appoints Encanto as its lawful attorney and agent, with authority in the name, place and stead of MRL, to do all acts and things and execute and deliver all documents necessary or advisable in the sole discretion of Encanto in connection with or in furtherance of the Lease Actions. MRL shall use its reasonable best efforts to negotiate a power of attorney granted to Encanto for this purpose to be included in the terms of the Lease.

3.6 Notwithstanding anything to the contrary in this Agreement Encanto agrees to pay any and all amounts required to be paid by MRL or the First Nation under the terms of a Lease, the Regulations and the Act relating to the Property or the Project.

3.7 The parties agree that if there is any conflict between the terms of this Agreement and the terms of a Lease, then the terms of the Lease shall prevail.

3.8 The parties agree that should one of the parties request an amendment to this Agreement in order to comply with or to be consistent with the terms of a Lease, then the parties will use their respective reasonable best efforts to negotiate, complete and execute an appropriate amendment to such Lease.

3.9 The First Nation shall be entitled to receive the Development Fee pursuant to the Development Fee Agreement.

3.10 Prior to the issuance of a Lease, the parties shall undertake to conduct reasonable best effort negotiations to permit MRL or its nominee to purchase an equity interest in the Project on reasonable commercial terms.

ARTICLE 4 MANAGEMENT COMMITTEE

4.1 A Management Committee, consisting of three representatives and two alternate representatives from Encanto and two representatives and one alternative representative from MRL shall be constituted and appointed within ninety (90) days after the formation of the Joint Venture. The alternate representative(s) may attend all meetings and may act for a party’s representative in the absence of the representative. A party may from time to time revoke in writing the appointment of any one (1) or more of its representatives or alternate representative(s) and appoint in writing a substitute.

4.2 The Management Committee shall manage, or supervise the management of, the business and affairs of the Joint Venture and shall exercise all such powers and do all such acts as the Joint Venture may exercise and do.

4.3 The Management Committee shall meet within fifteen (15) days of its constitution (at which time a chairperson shall be elected from among their number) and may otherwise meet at such places as it thinks fit for the dispatch of business, adjourn and otherwise regulate its meetings and proceedings as the members thereof deem fit. The Management Committee shall meet as soon as

possible but no later than fourteen (14) days after being requested to do so by any representative. Representatives may participate at meetings by telephone, video conference, or similar means.

4.4 The Operator or the Chairman of the Management Committee shall give notice, specifying the time and place of, and the agenda for, the Management Committee meeting to all parties, representatives and alternative representatives at least seven (7) days before the time appointed for the meeting.

4.5 Notice of a meeting shall not be required if:

- (a) the representatives of all parties are present at a meeting and all those present unanimously agree on the agenda; or
- (b) if all the parties provide written waiver of their right to the full notice period.

4.6 A quorum for any Management Committee meeting shall be present if no less than one (1) representative or alternate representative of each party is present. If a quorum is present at the meeting, the Management Committee shall be competent to exercise all of the authorities, powers and discretions bestowed on it under this Agreement. No business other than the adjournment or termination of the meeting shall be transacted at any Management Committee meeting unless a quorum is present at the commencement of the meeting, but the quorum need not be present throughout the meeting. If within an hour from the time appointed for a Management Committee meeting a quorum is not present, the meeting shall, at the election of those representatives or alternate representatives who are present:

- (a) be dissolved; or
- (b) be adjourned to the same place but on a date and at a time to be fixed by the chairperson of the meeting before the adjournment, which shall be not less than fourteen (14) days following the date for which the Management Committee meeting was called.

Notice of the adjourned Management Committee meeting shall be given to the representatives of all parties immediately after the adjournment of the meeting. If at the adjourned meeting, a quorum is not present within half an hour from the time appointed the representative or representatives present and entitled to attend and vote at the meeting, shall be a quorum even if only one (1) person is present.

4.7 The parties agree that every effort will be made to reach agreement by consensus on any issues which may arise. In the event that it is not possible to reach agreement by consensus, the Management Committee shall decide every question submitted to it by a vote with each representative in attendance at the meeting being entitled to cast one (1) vote and shall make decisions by a majority of votes cast. In the event of a deadlock, either party may refer the issue to mediation or arbitration in accordance with Article 11. It is, however, understood and agreed by the parties that the unanimous consent of the Management Committee as to the location of any Mine on the Property must first be obtained before any Construction is undertaken.

4.8 The chairperson shall be entitled to appoint the secretary of the meeting. The secretary of the Management Committee meeting shall take minutes of that meeting and circulate copies to each representative. The minutes of the preceding meeting shall be approved or revised and approved at the commencement of each meeting.

- 4.9 The chairperson shall chair meetings of the Management Committee.
- 4.10 The Management Committee may make decisions by obtaining the written consent to a resolution in writing of each of the representatives of Encanto and the First Nation/MRL. Any decisions so made shall be as valid as a decision made at a duly called and held meeting of the Management Committee.
- 4.11 Management Committee decisions made in accordance with this Agreement shall be binding on all of the parties.
- 4.12 The Management Committee may, by consensus or majority approval of the representatives of Encanto and the First Nation/MRL, establish other rules of procedure not inconsistent with this Agreement, as the Management Committee deems appropriate.
- 4.13 In the event that the Operator recommends that work be conducted on the Property, then the Management Committee shall prepare or cause to be prepared a Program.
- 4.14 At any time during the currency of this Agreement the Management Committee may cause a Feasibility Report to be prepared and/or audited by a recognized Canadian engineering firm in such form as the Management Committee may require. The Management Committee shall, forthwith upon receipt of a Feasibility Report, provide each of the parties with a copy thereof. Upon request of any party and at reasonable intervals and times, the Management Committee shall meet in order to discuss such a report.

ARTICLE 5 OPERATING AGREEMENT

- 5.1 Upon the execution of this Agreement, the parties shall enter into the Operating Agreement, which provides for the appointment of Encanto as the Operator to perform the duties and obligations of the Operator as provided for in the Operating Agreement.
- 5.2 The Operator may at any time be changed in accordance with the procedure set out in the Operating Agreement.

ARTICLE 6 PERMITS

- 6.1 Until issuance of the Lease(s) and to the extent required by the terms of the Lease(s) or by the terms of the Permits, Encanto will continue to be bound by the terms, duties, obligations and responsibilities of MRL under the Permits as if Encanto were a party to such Permits, including without limitation, the obligation to make all payments due and owing by MRL to the Crown under the Permits. Provided that Encanto complies with its obligations in this section, MRL agrees to execute and deliver all documents, respond to all Crown inquiries and attend to all matters and filings necessary to maintain the Permits in good standing, including, without limitation, apply for and obtain all extensions of such Permits (collectively, the “Permit Actions”). To the extent that MRL fails or neglects to do so, Encanto may execute the Permit Actions on behalf of MRL at the expense of MRL and for that express purpose, MRL hereby constitutes and appoints Encanto as its lawful attorney and agent, with authority in the name, place and stead of MRL, to do all acts and things and execute and deliver all documents

necessary or advisable in the sole discretion of Encanto in connection with or in furtherance of the Permit Actions.

ARTICLE 7 MUSKOWEKWAN EMPLOYMENT AND TRAINING

7.1 The parties confirm that it is their intent that Qualified Muskowekwan Persons shall have priority and preference to the employment opportunities generated by the Project. It is agreed that such employment opportunities include management and supervisory positions, and that, in performing its functions hereunder, Encanto shall, subject to any contractual constraints, use its reasonable best efforts to ensure that the Operator is committed to hire and train as many Qualified Muskowekwan Persons as reasonably practicable and further, that such Qualified Muskowekwan Persons will have the first opportunity (with members of other first nations having the next opportunity) to fill any new positions as they become available.

To facilitate qualification, Encanto covenants that in the performance of its duties in connection with the Project that it will use its reasonable best efforts to ensure training is provided to as many First Nation members as is commercially viable as long as such training does not interfere with the proper performance of its obligations under this Agreement.

In consultation with the First Nation, Encanto shall use its reasonable best efforts to ensure that the Operator shall prepare a First Nation hiring plan to implement an effective and efficient recruitment, training, selection, and placement and retention process. The plan shall be reviewed, approved, and its implementation shall be monitored by the Management Committee.

Encanto shall use its reasonable best efforts to ensure that the Operator shall provide to the First Nation a copy of the complete personnel policies and procedures that will be applied to the employees and a complete copy of their employee orientation manual, which manual shall be developed in consultation with the First Nation.

Encanto shall use its reasonable best efforts to ensure that the Operator requires its contractors, subcontractors and suppliers, including Muskowekwan Businesses, to describe the nature and extent of their commitments to Muskowekwan Hires, pursuant to the terms of this Agreement, as part of their proposal or bid for work.

7.2 The parties acknowledge that the Operator is given disciplinary authority including the authority to recommend dismissal of individual employees. Encanto shall use its reasonable best efforts to ensure that the Operator agrees to consult with the officer designated by the Management Committee to monitor human resources issues for First Nation members prior to dismissal of any First Nation employee.

7.3 Encanto shall use its reasonable best efforts to ensure that the Operator develops and implements a program for working conditions that includes the following elements, provided that such elements are consistent with the efficient and profitable operation of the Project:

- (a) putting into place of a work environment that is receptive and favorable to the social and cultural values of the First Nation members and that fully ensures the protection and support of the social and cultural values of the First Nation members within the

framework of the Project;

- (b) the implementation of safety measures relating to the Project that are in conformity with applicable Laws and utilizes “best practices” for mining projects substantially similar to the Project.

7.4 MRL and the First Nation shall use their reasonable best efforts to obtain or access, in cooperation with Encanto for the benefit of the Project, all applicable federal, provincial and municipal programs, grants and other funding for employment and training of First Nation members.

ARTICLE 8 MUSKOWEKWAN CONTRACTING

8.1 The parties agree that Muskowekwan Businesses will be given preference to supply goods and services for the Project. Unless determined otherwise by the parties, Encanto shall use its reasonable best efforts to ensure that the Operator follows the following open book process with respect to the supply of goods and services for the Project.

- (a) The First Nation shall be notified of specific contracts to be tendered or quoted for goods or services required for all phases of the Project and will provide a summary of the scope of each contract (“**Proposed Contract**”).
- (b) The First Nation shall, within ten (10) business days of the notification under paragraph (a), provide an expression of interest from Muskowekwan Businesses to tender or bid for the Proposed Contract. Where no expression of interest is provided within this period, it is acknowledged that no Muskowekwan Business is interested in the Proposed Contract.
- (c) Where an expression of interest of a Muskowekwan Business is provided in accordance with paragraph (b), the First Nation shall be provided with details of the scope of the Proposed Contract to the Muskowekwan Business and shall be advised of the deadline for submission of tenders or bids for the Proposed Contract.
- (d) Where a tender or bid is submitted by a Muskowekwan Business, open book negotiations shall be undertaken. Open book negotiations require the Muskowekwan Business to openly disclose its proposal assumptions and costing, including its expected profit margin. The Muskowekwan Business shall be provided the general market assessment and other relevant factors. The duration of open book negotiations will be dependent on the complexity of the Proposed Contract and shall be determined in advance.
- (e) The Operator shall conduct open book negotiations in a timely and fair manner, and ensure that the Muskowekwan Business is provided with a reasonable opportunity to present and justify its tender or bid package.
- (f) If the open book negotiations are successful in that the Muskowekwan Business, in the reasonable view of the Operator, is able to demonstrate that it can provide the goods and services being sought under the Proposed Contract in accordance with the time schedule for conducting Programs, at the quality sought, and at a fair market price, the Proposed Contract shall be awarded to the Muskowekwan Business.

- (g) If the open book negotiations are unsuccessful in that the Muskowekwan Business does not satisfy the Operator acting reasonably in respect of the criteria in the value assessment pursuant to paragraph (f) above, the Operator will go to open invited tender and the Operator will evaluate the invited tender submissions.
- (h) Where an invited tender is more favourable in the reasonable view of the Operator in respect of the criteria set forth in paragraph (f) above, than that proposed by the Muskowekwan Business at the conclusion of the open book negotiations, the contract may be award to the invited tender company.
- (i) Where the invited tender is less favourable in the reasonable view of the Operator in respect of the criteria set forth in paragraph (f) above, than that proposed by the Muskowekwan Business at the conclusion of the open book negotiations, the contract will be awarded to the Muskowekwan Business.
- (j) The determination of whether a bid is more or less favourable shall be based on the requirements of the Proposed Contract and the criteria set forth in paragraph (f) above. For greater certainty, the determination will not be limited solely to price.

ARTICLE 9 CONSTRUCTION OF MINE

9.1 Upon approval by the Management Committee of the Feasibility Report recommending the Construction of a Mine, the Management Committee shall cause the Operator, subject to securing the necessary financing, to proceed with Construction with all reasonable dispatch. Construction shall be substantially in accordance with the Feasibility Report subject to any variations agreed upon by the parties and subject also to the right of the Management Committee to cause such other reasonable variations in Construction to be made as the Management Committee deems advisable.

9.2 In respect of any financing required to complete Construction, the parties shall provide all customary covenants and security associated with obtaining construction financing for mining projects substantially similar to the Project, provided however that the obligation of the First Nation and/or MRL to provide security shall be limited to those matters relating to the Lease(s) to nothing else. .

ARTICLE 10 SEISMIC DATA

10.1 Encanto has granted MRL a 50% ownership interest in all seismic data shot by Encanto on the Non-Designated Lands ("Seismic Data (Non-Designated)"). This allows MRL to provide a non-exclusive license of the Seismic Data (Non-Designated) for a cost to future industry partners at a later date. An additional 50% ownership interest in the Seismic Data (Non-Designated) will be transferred to MRL upon a Lease being issued with respect to the Non-Designated Lands. Notwithstanding ownership of the Seismic Data (Non-Designated), Encanto will at all times be entitled to retain a licensed copy of the Seismic Data (Non-Designated) and licensed copies of all tapes and records, sections and interpretation and shall be entitled to provide a non-exclusive license for the use of such data and copies to Sundance Energy Corporation on terms to be agreed to between Encanto and Sundance Energy Corporation and that MRL and the First Nation shall not be entitled to any fees, royalties or other compensation of any kind in connection with such license. The parties acknowledge that certain technical information, including the Seismic Data (Non-Designated), is required to be provided to the Crown pursuant to the Permit (Non-

Designated) with the disclosure and use of such information governed by the terms of the Permit (Non-Designated) and applicable law.

10.2 Encanto has granted MRL a 50% ownership interest in all seismic data shot by Encanto on the Designated Lands ("Seismic Data (Designated)"). This allows MRL to provide a non-exclusive license of the Seismic Data (Designated) for a cost to future industry partners at a later date. An additional 50% ownership interest in the Seismic Data (Designated) will be transferred to MRL upon a Lease being issued in connection with the Designated Lands. Notwithstanding ownership of the Seismic Data (Designated), Encanto will at all times be entitled to retain a licensed copy of the Seismic Data (Designated) and licensed copies of all tapes and records, sections and interpretation and shall be entitled to provide a non-exclusive license for the use of such data and copies to Sundance Energy Corporation and that MRL and the First Nation shall not be entitled to any fees, royalties or other compensation of any kind in connection with such license. The parties acknowledge that certain technical information, including the Seismic Data (Designated), is required to be provided to the Crown pursuant to the Permit (Designated) with the disclosure and use of such information governed by the terms of the Permit (Designated) and applicable law.

10.3 The parties also acknowledge and agree that the Permit (Non-Designated) and the Permit (Designated) contain rights of the Crown in seismic data as set forth in sections 22 and 23 of the Permit (Non-Designated) and sections 21 and 22 of the Permit (Designated). Specifically, the Crown is granted a non-exclusive license to exercise all of MRL's copyright in any technical information, interpreted seismic data, maps, reports or other documentation provided to the Crown by MRL pursuant to the Permit (Non-Designated) and the Permit (Designated). In addition, MRL is required to store any seismic data at a third party company specializing in seismic data brokerage at the end of the Confidentiality Period (as defined in the Permit (Non-Designated) and the Permit (Designated)). The parties shall ensure that Sundance Energy Corporation acknowledges and agrees to the rights of the Crown as set forth above in any agreement providing a non-exclusive license for the use of the seismic data.

ARTICLE 11 INFORMATION AND OTHER DATA

11.1 At all times during the subsistence of this Agreement the duly authorized representatives of each party shall have access at all reasonable times to all technical records and other reports, data and information relating to the Property and the Project in the possession of the Management Committee or the Operator.

11.2 All records, reports, accounts and other documents referred to herein with respect to the Property and the Project and all information and data concerning or derived from the Property and the Project shall be kept confidential and each party shall take or cause to be taken such reasonable precautions as may be necessary to prevent the disclosure thereof to any person other than each party, the Operator, any Related Party and any financial institution or other person having made, making or negotiating loans to one or more of the foregoing or any trustee for any such person, or as may be required by Laws, by regulation or policy of any governmental agency, securities commission or stock exchange, or in connection with the statement of material facts by a party, any Related Party or the Operator or to a prospective assignee as permitted hereunder, or as may be required in the performance of obligations under this Agreement without prior consent of all parties, which consent shall not be unreasonably withheld.

ARTICLE 12 ENVIRONMENTAL PROTECTION

12.1 The parties shall ensure that all Environmental Laws and the environmental conditions of any Lease are followed and complied with at all times.

12.2 Encanto shall use its reasonable best efforts to ensure that the Operator designs the Project so as to avoid to the extent possible significant adverse environmental effects and to maximize to the extent possible the positive effects. It also undertakes to take reasonable measures in order to reduce as much as possible the undesirable effects of the construction and operations of the Project on the environment.

12.3 The parties recognize that the impacts of the Project, including those on the earth, the water, the air and the human environment, the cause of those impacts (the activity producing them) and their importance after having been mitigated will be described in detail in the Environmental Compliance plan(s) to be produced by the Operator prior to any Construction being commenced. The Environmental Compliance plan will recognize and incorporate traditional environmental knowledge of First Nation elders and leaders.

12.4 Encanto shall use its reasonable best efforts to ensure that the Operator takes the appropriate monitoring and mitigating measures, including those that are described in the Environmental Compliance plan(s), and shall ensure that the First Nation participates in said monitoring. The monitoring and mitigating measures shall be implemented in consultation with the First Nation.

12.5 Encanto shall ensure that the Operator tables with the First Nation one copy of each of the environmental reports or documents that have to be tabled with the governments pursuant to applicable Laws and a Lease. Encanto recognizes that the First Nation shall have the right to make fair comment to any government with respect to any such environmental report or document.

ARTICLE 13 NOTICE

13.1 Any notice, direction, cheque or other instrument required or permitted to be given under this Agreement shall be in writing and may be given by the delivery of the same or by mailing the same by prepaid registered mail or certified mail or by sending the same by fax or e-mail, in each case addressed to the intended recipient at the following addresses of Encanto, the First Nation and MRL:

If to Encanto:
880 - 580 Hornby Street
Vancouver, BC V6C 3B6

If to the First Nation or MRL:
P.O. Box 249
Lestock, SK S0A 2G0

13.2 Any notice, direction, cheque or other instrument aforesaid will, if delivered, be deemed to have been given and received on the day it was delivered, and if mailed, be deemed to have been given and received on the third business day following the day of mailing, except in the event of disruption of the postal service in which event notice will be deemed to be received only when actually received and, if sent by fax or e-mail, be deemed to have been given or received on the day it was so sent.

13.3 Any party may at any time give to the other notice in writing of any change of address of the party giving such notice and from and after the giving of such notice the address or addresses therein specified will be deemed to be the address of such party for the purposes of giving notice hereunder.

ARTICLE 14

MEDIATION AND ARBITRATION

14.1 All disputes, disagreements or differences of opinion between the parties concerning this Agreement or the interpretation, performance, breach, termination or invalidation thereof which have not been resolved by the parties (in each case a “Dispute”) shall be resolved in accordance with the provision of this Article 14. The resolution of any Dispute pursuant to this Article 14 shall be binding upon the parties.

14.2 Following receipt of a written request for a meeting, senior representatives of each party shall meet in person to attempt to resolve such Dispute. The senior representatives of each party shall be fully informed and shall have sufficient authority to bind the party they represent.

14.3 If the senior representatives are unable to resolve such Dispute within ten (10) days from the date the first written request for a meeting was received, either party may thereafter invoke the then existing non-binding mediation procedure of the ADR Institute of Canada, Inc. or its successor (“ADRIC”), provided that if no ADRIC mediation procedure is in existence at the time, the most recent mediation procedure of the Canadian Foundation for Dispute Resolution or its successor shall be used in place thereof. Notwithstanding the foregoing, if the parties so agree, they may forego mediation and proceed directly to arbitration pursuant to Section 14.4 below.

- 14.4 (a) If a party is unwilling to participate or continue to participate in mediation or the mediation terminates without a resolution of the Dispute and either party desires to pursue the resolution of such matter, the matter shall be submitted to arbitration.
- (b) The arbitration shall be heard and determined by a panel of three arbitrators, one of which shall be chosen by the First Nation, one of which shall be chosen by Encanto and the third of which shall be chosen by the two arbitrators. If the two arbitrators chosen by the parties cannot reach agreement on an arbitrator or if one party refuses to participate in the appointment of its arbitrator, then upon application by either party, a judge of the Court of Queen’s Bench for Saskatchewan shall appoint an independent arbitrator(s) who shall be impartial and not have any financial interest in the Dispute.
- (c) Unless otherwise expressly agreed in writing by the parties:
- (i) the arbitration proceedings shall be held in Regina, Saskatchewan;
 - (ii) the arbitration proceedings shall be conducted in the English language and the arbitrator shall be fluent in the English language;
 - (iii) the arbitrators shall be and remain at all times wholly independent and impartial, shall not have (or have ever had) any business dealings or commercial relationship with either party and, shall have some knowledge of or experience with customs and traditions of aboriginal peoples in Canada;

- (iv) the arbitration proceedings shall be conducted in accordance with the procedures set out in the *Arbitration Act* (Saskatchewan), except as may be specifically modified in this Agreement;
- (v) the costs of the arbitration proceedings (including legal fees and costs) shall be borne in the manner determined by the arbitrators, provided that in no event shall the arbitrators be entitled to require one party to pay all of the costs of the arbitration proceedings;
- (vi) each party shall, in a timely fashion, disclose to the other party all documents within its possession or control that are relevant to the arbitration proceedings;
- (vii) the decision of the arbitrators shall: be reduced to writing; final and binding without the right of appeal; the sole and exclusive remedy regarding any disputes, controversies, claims, counterclaims, issues or accountings presented to the arbitrators; if cash compensation is part of the decision, made and promptly paid in Canadian Dollars free of any deduction or offset; and any costs or fees incident to enforcing the award shall, to the maximum extent permitted by law, be charged against the party resisting such enforcement;
- (viii) consequential, punitive or other similar damages shall be allowed in the sole discretion of the arbitrators;
- (ix) the award may include interest from the date of any breach or violation of this Agreement as determined by the arbitral award until paid in full at an interest rate to be determined by the arbitrators;
- (x) judgment upon the award may be entered in any court having jurisdiction over the party or subject to the Act, the assets of the party owing the judgment and application may be made to such court for a judicial acceptance of the award and an order of enforcement;
- (xi) for purposes of allowing the arbitration provided in this Article 14, but subject to the provisions of the Act, the enforcement and execution of any arbitration decision and award, and the issuance of any attachment or other interim remedy, the parties agree to waive all sovereign immunity by whatever name or title with respect to disputes, controversies or claims arising out of or in relation to or in connection with this Agreement or a Dispute;
- (xii) the arbitration shall proceed in the absence of a party that, after due notice, fails to answer or appear. An award shall not be made solely on the default of a party, but the arbitrators shall require the party that is present to submit such evidence as the arbitrators may determine is reasonably required to make an award; and
- (xiii) if an arbitrator should die, withdraw or otherwise become incapable of serving, or refuse to serve, a successor arbitrator shall be selected and appointed in the same manner as the original arbitrator and the arbitration shall be reheard by the successor arbitrators.

- (d) Before or during the time that the parties follow the arbitration procedures contained herein, any party may go to the appropriate court to obtain a preliminary injunction or other preliminary judicial relief if it believes that such a step is necessary to avoid irreparable damage or harm. Even if a party takes such action, the parties will continue to participate in the procedures in this Article 14 and will continue to honour their obligations pursuant to the terms of this Agreement.
- (e) The parties shall use all reasonable best efforts to provide that any arbitrator appointed pursuant to this Article 14 shall keep confidential all information received in connection with the arbitration except for disclosure to such parties pursuant to the arbitration or to such court or tribunal as may have jurisdiction to review or enforce the arbitral award.

ARTICLE 15

INDEMNITIES AND COVENANTS

15.1 Encanto shall indemnify, defend and hold harmless each of MRL and the First Nation against any claims, losses, damages, costs, liabilities and expenses (including solicitor and own client costs on a full indemnity basis) arising out of or connected with:

- (a) any breach of any term, condition or covenant of this Agreement;
- (b) any action or omission of Encanto which results in or causes MRL or the First Nation to breach or fail to comply with the terms and conditions of the Permits or the Lease(s); or
- (c) any matter or thing arising out of or in any way related to or attributable to the operations carried on by Encanto, the Operator or either of its servants, agents or employees on the Property within its reasonable control.

15.2 Each of MRL and the First Nation shall indemnify, defend and hold harmless Encanto against any claims, losses, damages, costs, liabilities and expenses (including solicitor and own client costs on a full indemnity basis) arising out of or connected with:

- (a) any breach of any term, condition or covenant of this Agreement; or
- (b) any action or omission of MRL or the First Nation within its reasonable control which results in or causes Encanto to fail or be hindered or delayed in completing its obligations under this Agreement or any agreement entered into by Encanto as Operator.

15.3 The First Nation, by executing this Agreement, consents that the Project shall be carried out in conformity with the provisions of this Agreement, the provisions of any Lease, the Permits and all any applicable Laws. Except as expressly set forth in Section 15.4, the First Nation and its Related Parties will not engage in, and will make its reasonable best efforts to dissuade any First Nation members from engaging in, any action that is likely to, or is intended to, frustrate or obstruct the Project, including without limitation:

- (a) any barricade, blockade or similar action intended to disrupt work on the Project (and if First Nation members do so, the First Nation will collaborate with the other parties to ensure that such barricade, blockade or other action is removed or stopped as soon as possible);

- (b) the imposition of any tax, tariff, licensing or permitting requirement of any nature or kind; or
- (c) the imposition of any restrictions on rights of ingress or egress, penalties or fees of any nature or kind.

15.4 Encanto agrees, to the extent that there is the legal authority of the First Nation or any Related Party to do so, that the Joint Venture may be subject to taxes (in the nature of property taxes on non-reserve lands in Saskatchewan) which may be levied on an annual basis and be based solely on the assessed value of the Mine, provided that:

- (a) the "mill rate" applicable to such taxes shall not exceed the average potash mill rate charged for that year by the Regional Municipalities of Saskatchewan for potash projects in Saskatchewan;

(b)

the assessment of the Mine value will be conducted by the Saskatchewan Assessment Management Agency (and if for any reason, such agency is unable or unwilling to do so, by an independent third party using substantially similar principles, protocols and procedures as such agency would use in such assessments);

15.5 Encanto will assist the First Nation throughout various forms of ongoing community engagement, by sharing information and ensuring the First Nation and its membership are aware of current and planned activities in respect of the Project and agree to conduct an annual information meeting at the request of the First Nation..

ARTICLE 16 TERM

16.1 Unless earlier terminated pursuant to Section 16.2, the Joint Venture and this Agreement shall remain in full force and effect during the term of the Project until completion of the Mine Closure Plan completed in accordance with the Operating Agreement. Termination of the Agreement shall not, however, relieve any party from any obligations that are accrued but unsatisfied.

16.2 This Agreement may be terminated:

- (a) upon the mutual agreement of the parties;
- (b) by Encanto if no Lease has been issued in respect of the Designated Lands and the designation process contemplated by Section 3.1 for the Non-Designated Lands is not completed on or before September 1, 2011;
- (c) by Encanto if no Lease has been issued in respect of the Designated Lands and the Lease for the Non-Designated Lands is not issued within twenty-four (24) months after the designation process contemplated by Section 3.1 is completed;

- (d) by Encanto if no Lease has been issued in respect of the Non-Designated Lands and the Lease for the Designated Lands is not issued within twenty-four (24) months after the Election Notice has been delivered to MRL, as contemplated by Section 3.2;
- (e) by Encanto if MRL and/or the First Nation shall have breached or failed to comply with any of its terms, conditions or covenants contained herein, in any material respect and such breach is not cured by the breaching party within sixty (60) days of having knowledge of such breach;
- (f) by MRL and/or the First Nation if Encanto shall have breached or failed to comply with any of its terms, conditions or covenants contained herein, in any material respect and such breach is not cured by the breaching party within sixty (60) days of having knowledge of such breach;
- (g) by Encanto if MRL and/or the First Nation becomes insolvent, bankrupt or commits an act of bankruptcy or if a receiver or a receiver-manager of its assets is appointed or makes an assignment for the benefit of creditors or otherwise; or
- (h) by MRL and/or the First Nation if Encanto becomes insolvent, bankrupt or commits an act of bankruptcy or if a receiver or a receiver-manager of its assets is appointed or makes an assignment for the benefit of creditors or otherwise.

16.3 If this Agreement is terminated by any of the parties, then MRL and/or the First Nation shall have the option to terminate Encanto as Operator under the Operating Agreement, concurrent with the termination of this Agreement. MRL and/or the First Nation may require Encanto to take all necessary action, at Encanto's expense, to remediate the Property in accordance with applicable Laws, or it may require Encanto to prepare and implement a Mine Closure Plan in accordance with the terms and obligations stipulated in Section 9 of the Operating Agreement.

ARTICLE 17 RULE AGAINST PERPETUITIES

17.1 If any right, power or interest of any party under this Agreement would violate the rule against perpetuities, then such right, power or interest shall terminate at the expiration of 20 years after the death of the survivor of all the lineal descendants of her late Majesty, Queen Elizabeth II of the United Kingdom, living on the date of execution of this Agreement.

ARTICLE 18 DOCUMENT RETENTION ON TERMINATION

18.1 Prior to or upon the termination of this Agreement, the Management Committee shall meet and may approve a procedure for the retention, maintenance and disposal of documents maintained by the Management Committee (the "**Documents**") and shall appoint such party as may consent thereto to ensure that all proper steps are taken to implement and maintain that procedure. If a quorum is not present at the meeting or if the Management Committee fails to approve such procedure, Encanto shall retain, maintain and dispose of the Documents, in compliance with all applicable Laws, as it deems fit. Prior to disposing of any such documents Encanto shall give the First Nation fourteen (14) days written notice of its intention to dispose of the Documents and the First Nation shall have the right to require that Encanto deliver the Documents to the First Nation

ARTICLE 19 FORCE MAJEURE

19.1 No party will be liable for its failure to perform any of its obligations under this Agreement due to a cause beyond its reasonable control (except those caused by its own lack of funds) including, but not limited to acts of God, fire, flood, explosion, strikes, lockouts or other industrial disturbances, laws, rules and regulations or orders of any duly constituted governmental authority or non availability of materials or transportation (each an “**Intervening Event**”).

19.2 All time limits imposed by this Agreement, will be extended by a period equivalent to the period of delay resulting from an Intervening Event.

19.3 A party relying on the provisions of Section 19.1 will take all reasonable steps to eliminate any Intervening Event 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 governmental authority or to complete its obligations under this Agreement if an Intervening Event renders completion impossible.

ARTICLE 20 GENERAL

20.1 The parties agree that the First Nation and MRL will require expertise and consultants to assist in the negotiation and execution of this Agreement. Encanto agrees that the First Nation and MRL will be fully and completely reimbursed for reasonable professional expenses incurred upon the execution of this Agreement.

20.2 Encanto shall not assign all or part of its interest in this Agreement to any other person or corporation, without the express written consent of the First Nation (evidenced by a BCR), and MRL, which consent shall not be unreasonably withheld, provided that the successor or assignee agrees in writing to accept, be bound by and abide by the terms of this Agreement as if it were signatory to the same. Encanto will provide the First Nation and MRL with sixty (60) days notice of its intention to sell, assign or otherwise transfer all or any portion of its interest in this Agreement (the “**JVA Transfer**”). If First Nation and MRL agree to the JVA Transfer and the JVA Transfer is completed, the First Nation and MRL shall be entitled to receive a fee in the amount of 1.5% of the total value of the amount of all the consideration (whether money, shares or other consideration) received by Encanto pursuant to the JVA Transfer.

20.3 As a condition of the sale, assignment or transfer by Encanto, Encanto shall require the purchaser or assignee to assume all of the covenants, obligations and liabilities of Encanto under this Agreement, either in whole or in proportion to the interest acquired by the purchaser or assignee.

20.4 Encanto shall be released from its covenants, obligations and liabilities under this Agreement that are assumed by the purchaser or assignee once the conditions referred to above are met, provided that Encanto shall not be released of any of its covenants, obligations and liabilities that occurred prior to the date of the transfer unless the purchaser or assignee agrees with the First Nation and MRL to be responsible for such covenants, obligations and liabilities.

20.5 MRL may assign the benefits under this Agreement to a Band Business Entity other than MRL, provided that the obligations of MRL and the First Nation under this Agreement are not affected.

20.6 If MRL or a Band Business Entity is the holder of a Lease, the First Nation agrees to fully guarantee the obligations of MRL and/or the Band Business Entity thereunder and under this Agreement.

20.7 Encanto acknowledges that MRL may direct the shares and warrants to be issued under Section 2.5 be issued in favour of a Band Business Entity, upon an assignment contemplated by Section 20.5 being completed.

20.8 If any provision of this Agreement shall fail to be strictly enforced or any party shall consent to any action by any other party or shall waive any provision as set out herein, such action by such party shall not be construed as a waiver thereof other than at the specific time that such waiver or failure to enforce takes place and shall at no time be construed as a consent, waiver or excuse for any failure to perform and act in accordance with this Agreement at any past or future occasion.

20.9 Each of the parties hereto shall from time to time and at all times do all such further acts and execute and deliver all further deeds and documents as shall be reasonably required in order to fully perform and carry out the terms of this Agreement.

20.10 This Agreement may not be changed orally but only by an agreement in writing by the parties.

20.11 Except as provided for in this Agreement, this Agreement embodies the entire agreement and understanding among the parties hereto and supersedes all prior agreements and undertakings, whether oral or written, relative to the subject matter hereof.

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

20.13 This Agreement shall be governed by and interpreted in accordance with the laws of the Province of Saskatchewan and the parties irrevocably attorn to the jurisdiction of the said province.

20.14 If any one or more of the provisions contained herein should be invalid, illegal or unenforceable in any respect in any jurisdiction, the validity, legality and enforceability of such provision shall not in any way be affected or impaired thereby in any other jurisdiction and the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired thereby.

20.15 Words used herein importing the singular number only shall include the plural, and vice versa, and words importing the masculine gender shall include the feminine and neuter genders, and vice versa, and words importing persons shall include firms and corporations.

20.16 The division of this Agreement into articles and sections and the insertion of headings are for convenience of reference only and shall not affect the construction or interpretation of this Agreement.

20.17 Time shall be of the essence in the performance of this Agreement.

20.18 This Agreement shall be subject to the approval of all regulatory authorities having jurisdiction. Encanto shall be responsible for obtaining all such approvals. The First Nation and MRL will cooperate with Encanto in obtaining such approvals. Encanto shall be responsible to pay for all costs, including those of the First Nation and MRL, in obtaining such approvals. The parties agree to conduct a

ENCANTO RESOURCES LTD.

Name: JAMES W. HARRIS
Title: PRES & CEO

Title:

Name: _____
Title: Chief

PARTNERSHIP, by and through its General Partner, MUSKOWEKWAN RESOURCES LTD.

Name: Reginald B. Herose
Title: President

Name: William Pultice JR
Title: Secretary officer

SCHEDULE "A"
DESCRIPTION OF LANDS: NON-DESIGNATED LANDS
(INDIAN ACT)

**SEE LANDS FOLLOWING (1) PAGE FOR MUSKOWEKWAN HOME RESERVE #85 FOR
SECTION 28(2) AND SECTION 58(4)(B) - INDIAN MINING ACT**

Attached.

SCHEDULE "B"
DESCRIPTION OF LANDS: DESIGNATED LANDS
(INDIAN MINING REGULATIONS)

ALL LANDS WITHIN THE BOUNDARIES OF MUSKOWEKWAN INDIAN RESERVE #392.

SCHEDULE "C"
BAND COUNCIL RESOLUTION

SCHEDULE "D"
ROYALTY AGREEMENT

SCHEDULE "E"
DEVELOPMENT FEE AGREEMENT

SCHEDULE "F"
OPERATING AGREEMENT