

OPTION AGREEMENT

THIS AGREEMENT is made as of [March 2], 2014 between:

BRIAN FOWLER, a businessperson having an address at 30 Alexander Avenue, Apt. 17, PO Box 954, Pinawa, Manitoba, R0E 1L0, Email: bfowler@superiorprospects.com, as to an undivided 33% interest as Optionor ("BF")

AND

ANTHONY WORONA, a businessperson having an address at 86 Cedar Street, PO Box 2140, Lac Du Bonnet, Manitoba, R0E 1A0, Email: cky_004@hotmail.com, as to an undivided 28% interest as Optionor ("AW")

AND

TERRANCE REIMER, a businessperson having an address at 46 Cameron Road, PO Box 652, Pinawa, Manitoba, R0E 1L0, Email: chrisnter@gmail.com, as to an undivided 21% interest as Optionor ("TR")

AND

PATRICK KELLY, a businessperson having an address at 147 Fraser's Grove, Winnipeg, Manitoba, R2K 0E8, Email: pbkelly@shaw.ca, as to an undivided 18% interest as Optionor (collectively with BF, AW and TR, the "Optionors")

AND

CANSTAR RESOURCES INC., a corporation having its head office at 56 Temperance Street, Suite 1000, Toronto, Ontario, M5H 3V5, Email: doosterman@canstarresources.com ("Canstar").

WHEREAS:

- A. the Optionors collectively own a 100% legal and beneficial interest in the Property (as defined herein); and
- B. the Optionors have agreed to grant Canstar the sole and exclusive right and option to acquire a 100% interest in the Property, in accordance with the terms and conditions of this Agreement (as defined herein).

NOW THEREFORE for valuable consideration (the receipt and sufficiency of which are hereby acknowledged and agreed by each of the Parties (as defined herein)), and subject to the acceptance of this Agreement and the transactions contemplated hereby by the TSX Venture Exchange (the "TSXV"), the Parties agree as follows:

SECTION 1. – INTERPRETATION AND MISCELLANEOUS.

- 1.1 In this Agreement the following terms and expressions shall have the following meanings:
 - (a) "**Agreement**" means this Agreement, including the recitals and the Schedules hereto, all as may be amended from time to time;
 - (b) "**Commercial Production**" means, and is deemed to have been achieved, when the concentrator processing ores, for purposes other than testing, has operated for a period of 45 consecutive production days at an average rate of not less than 70% of design capacity or, if a concentrator is not erected on the Property, when ores have been produced for a period of 45 consecutive production days at the rate of not less than 70% of the mining rate specified in a feasibility study recommending placing the Property in commercial production;
 - (c) "**Lien**" means any lien, security interest, mortgage, charge, encumbrance, or other claim of a third party, whether registered or unregistered, and whether arising by agreement, statute or otherwise;

- (d) "**Operator**" means the Party permitted to carry out, or to cause to carry out, all work in respect of the Property during the term of the Option;
 - (e) "**Option**" means the option granted to Canstar by the Optionors in accordance with subsection 3.1 hereof;
 - (f) "**Parties**" means the parties to this Agreement, and "**Party**" means any one of them; and
 - (g) "**Property**" means the 19 claim blocks comprising 182 claim units located in Ontario as more particularly described in Schedule "A" (and as shown on the map in Schedule "B"), together with any and all substitute or successor titles thereto.
- 1.2 Unless otherwise specified, words importing the singular include the plural and vice versa. The term "including" means "including, without limitation."
- 1.3 The division of this 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 Agreement.
- 1.4 If any term of this Agreement is or becomes illegal, invalid or unenforceable, that term shall not affect the legality, validity or enforceability of the remaining terms of this Agreement.
- 1.5 This Agreement constitutes the entire agreement between the Parties with respect to the subject matter herein and supersedes all prior arrangements, negotiations, discussions, undertakings, representations, warranties and understandings, whether written or verbal.
- 1.6 For every provision in this Agreement, time is of the essence.
- 1.7 This Agreement shall be governed by and shall be construed and interpreted in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.
- 1.8 Each reference to a statute in this Agreement includes the regulations made under that statute, as amended or re-enacted from time to time.
- 1.9 The following Schedules are attached to and form part of this Agreement:

<u>Schedule</u>	<u>Description</u>
Schedule "A"	Property Claims
Schedule "B"	Property Map
Schedule "C"	Net Smelter Returns Royalty

SECTION 2. - REPRESENTATIONS AND WARRANTIES.

- 2.1 Each of the Optionors hereby jointly and severally represents and warrants to Canstar that:
- (a) it has full power, authority and capacity to enter into this Agreement, to carry out its obligations hereunder, and to hold its interest in the Property;
 - (b) none of its obligations in this Agreement conflict with or will result in the breach of any term in any other agreement to which it is a party;
 - (c) it has duly executed and delivered this Agreement, which binds it in accordance with the terms hereof;
 - (d) (i) the claims comprising the Property were properly recorded and filed with appropriate governmental agencies; (ii) all assessment work required to hold the Property has been performed, all governmental fees have been paid, and all filings required to maintain the Property in good standing have been properly and timely recorded or filed with appropriate governmental agencies; (iii) the Property is free and clear of any Liens and defects in title; and (iv) it has no knowledge of any claims conflicting with the ownership of or title to the Property;
 - (e) the Property is properly and accurately described in Schedule "A" and properly shown on the map in Schedule "B";
 - (f) the Optionors are the sole recorded and beneficial holders of a 100% interest in the Property, and they have the exclusive right to enter into this Agreement and all necessary authority to transfer to Canstar up to an undivided 100% interest in the Property upon the exercise of the Option in accordance with the terms hereof;

- (g) no person, firm or corporation has any proprietary or possessory interest in, nor any outstanding agreement or option to acquire part or all of, the Property other than the Optionors, and, other than as set forth in Section 8 of this Agreement, no person, firm, corporation, or federal, provincial, municipal or local government is entitled to any royalty or other payment in the nature of rent or royalty on any mineral products removed from the Property;
- (h) until the earlier of the exercise of the Option or the termination of this Agreement, the Optionors will not, without the prior written consent of Canstar, allow the Property to become subject to any Liens of any nature or kind whatsoever, nor will they enter into any agreement (whether written or verbal) that may result in the creation of any such Liens or otherwise restrict in any manner whatsoever the exercise of the Option by Canstar as contemplated by this Agreement, except for any Liens arising from the activities of Canstar;
- (i) the Property has been operated substantially in compliance with all applicable laws (including environmental laws) and there has been no known spill, discharge, deposit, leak, emission or other release of any contaminant, pollutant, dangerous or toxic substance, or hazardous waste on, into, under or affecting the Property, and no such contaminant, pollutant, dangerous or toxic substance, or hazardous waste is stored in any type of container on, in or under the Property;
- (j) there are no pending or threatened actions, suits, claims or proceedings regarding the Property and there are no outstanding notices, orders, assessments, directives, rulings or other proceedings issued in respect of the Property by any governmental authority;
- (k) no reclamation, rehabilitation, restoration or abandonment obligations exist with respect to the Property; and
- (l) it has delivered to Canstar all information in its possession or control with respect to the Property.

2.2 Canstar hereby represents and warrants to each of the Optionors that:

- (a) it is a corporation duly incorporated and validly existing under the *Business Corporations Act* (Ontario);
- (b) it has full corporate power, authority and capacity to enter into this Agreement and to carry out its obligations hereunder;
- (c) it has duly obtained all necessary authorizations to enter into, and to carry out its obligations under, this Agreement, and none of its obligations hereunder conflict with or will result in the breach of any term in (i) its constituting documents or (ii) any other agreement to which it is a party; and
- (d) it has duly executed and delivered this Agreement, which binds it in accordance with the terms hereof.

2.3 Each Party's representations and warranties set out above will be relied on by the other Parties in entering into this Agreement and shall survive the execution and delivery of this Agreement. Each Party shall indemnify and hold harmless the other Parties for any loss, cost, expense, claim or damage, including reasonable legal fees and disbursements, suffered or incurred by the other Parties at any time as a result of any misrepresentation or breach of warranty arising under this Agreement.

SECTION 3. - OPTION.

3.1 The Optionors hereby grant to Canstar the sole and exclusive Option to acquire a 100% right, title and interest in and to the Property on the terms set out herein.

3.2 In order to exercise the Option, Canstar must:

- (a) pay to the Optionors, in the aggregate:
 - (i) \$50 per claim unit, being a total of \$9,100, within ten (10) business days following receipt by Canstar of the approval of the TSXV in respect of this Agreement; and
 - (ii) \$50 per claim unit, being a total of \$9,100, on or before [March 2], 2015;
- (b) issue and deliver to the Optionors an aggregate of 200,000 common shares of Canstar ("**Canstar Shares**") on or before [March 2], 2016; and
- (c) fulfill all work commitments relating to the Property that are required to keep the Property in good standing during the term of the Option,

any or all of which such obligations may be accelerated at Canstar's option. Once Canstar has fulfilled all of the foregoing obligations, Canstar will be deemed to have exercised the Option and to have acquired a 100% right, title and interest in and to the Property.

3.3 The Option is an option only and except as specifically provided otherwise in this Agreement, nothing herein contained will be construed as obligating Canstar to do any acts or make any payments hereunder, and any acts or payments as may be made hereunder will not be construed as obligating Canstar to do any further acts or make any further payments.

3.4 Upon the occurrence of one or more events involving the capital reorganization, reclassification, subdivision or consolidation of the Canstar Shares, or the merger, amalgamation or other corporate combination of Canstar with one or more other entities, or of any other events in which new securities of any nature are delivered in exchange for the issued and outstanding Canstar Shares and such issued and outstanding Canstar Shares are cancelled (any of such events being a "**Fundamental Change**"), then in the event of any proposed issue of Canstar Shares to the Optionors pursuant to this Agreement after such a Fundamental Change, and in lieu of issuing the Canstar Shares which, but for such Fundamental Change and this subsection 3.4, would have been issued pursuant to the terms hereof, Canstar (or, if applicable, its successor) shall instead issue such number of securities as would have been delivered as a result of the Fundamental Change in exchange for those Canstar Shares which the Optionors would have been entitled to receive if such issuance of Canstar Shares had occurred prior to the occurrence of the Fundamental Change.

3.5 The Optionors hereby acknowledge that Canstar's ability to issue securities is subject to applicable securities laws and to the rules and policies of the TSXV, and that the securities issuable to the Optionors hereunder will be subject to resale restrictions imposed by applicable securities laws and, if applicable, the rules and policies of the TSXV, and the Optionors hereby covenant and agree with Canstar to abide by all such resale restrictions. The Optionors further acknowledge and agree that Canstar does not have any intention to file any prospectus, registration statement or similar document to qualify any trade of the Canstar Shares issuable hereunder.

SECTION 4. - COVENANTS OF OPTIONORS.

4.1 During the term of this Agreement, the Optionors will:

- (a) not do any act or thing which would or might in any way adversely affect the rights of Canstar hereunder;
- (b) make available to Canstar and its representatives all available relevant technical data, geotechnical reports, maps, digital files and other data with respect to the Property in the Optionors' possession or control, including soil samples, and all records and files relating to the Property, and permit Canstar and its representatives at their own expense to take abstracts therefrom and make copies thereof;
- (c) promptly provide Canstar with any and all notices and correspondence received by the Optionors from government agencies or otherwise in respect of the Property;
- (d) cooperate fully with Canstar in obtaining any surface and other rights on or related to the Property as Canstar deems desirable;
- (e) permit Canstar and its employees, agents and independent contractors to:
 - (i) enter upon the Property;
 - (ii) have exclusive and quiet possession thereof;
 - (iii) do such prospecting, exploration, development or other mining work thereon and thereunder as Canstar in its sole discretion may consider advisable;
 - (iv) bring and erect upon the Property such equipment and facilities as Canstar may consider advisable; and
 - (v) remove from the Property and dispose of material for the purpose of testing; and
- (f) upon the exercise of the Option, forthwith register or cause to be registered with all applicable agencies or places of record transfers of the Property in favour of Canstar which transfers may be recorded by Canstar at all such agencies or places of record as may be appropriate or desirable to effect the legal or recorded transfer of the Property to Canstar.

4.2 Canstar shall be entitled to be the Operator for the duration of this Agreement.

SECTION 5. - COVENANTS OF CANSTAR.

5.1 During the term of this Agreement, Canstar will:

- (a) keep the Property free and clear of all Liens arising from its operations hereunder (except liens for taxes not yet due, other inchoate liens or liens contested in good faith by Canstar) and use commercially reasonable efforts to contest or discharge any Lien that is filed;
- (b) pay or cause to be paid all workers and wage earners employed by it or its contractors on the Property, and pay for all materials, services and supplies purchased or delivered in connection with its activities on or with respect to the Property;
- (c) permit the Optionors or their representatives duly authorized in writing, at their own risk and expense and upon reasonable notice to Canstar, access to the Property at all reasonable times and to all records and reports, if any, prepared by Canstar in connection with work done on or with respect to the Property, and furnish the Optionors once each calendar year with a report with respect to the work carried out by Canstar on the Property and the material results obtained therefrom;
- (d) conduct all work on or with respect to the Property in a careful and workmanlike manner in compliance with all applicable federal, provincial and local laws, rules, orders and regulations; and
- (e) indemnify and save the Optionors harmless from any and all claims, suits, demands, losses and expenses, including, without limitation, those with respect to environmental matters, made or brought against them as a result of work carried out by Canstar on the Property.

5.2 In the event of termination of this Agreement for any reason other than through the exercise of the Option, Canstar will:

- (a) leave the Property:
 - (i) in good standing, free and clear of all Liens arising from its operations hereunder; and
 - (ii) in a safe and orderly condition which is in compliance with all applicable rules and orders of governmental authorities with respect to reclamation and rehabilitation of all disturbances resulting from Canstar's use and occupancy of the Property; and
- (b) have the right (and, if requested by the Optionors within ninety (90) days of the effective date of termination of this Agreement, the obligation) to remove from the Property within six (6) months of termination of this Agreement all facilities erected, installed or brought upon the Property by Canstar or its representatives, failing which such facilities shall become the property of the Optionors.

SECTION 6. - CONFIDENTIALITY.

6.1 All matters concerning this Agreement and the Property shall be treated as and kept confidential by the Optionors, and there shall be no public release by any of the Optionors of any information concerning this Agreement or the Property without the prior written consent of Canstar, such consent not to be unreasonably withheld or delayed, except where such disclosure is required by applicable laws or regulations.

SECTION 7. – TERMINATION.

7.1 Canstar will have the right to terminate this Agreement at any time up to the date of exercise of the Option by giving notice in writing of such termination to the Optionors, and in the event of such termination, this Agreement will, except for the provisions of subsections 2.3 and 5.2 and Section 6, be of no further force and effect save and except for any obligations of Canstar arising prior to the effective date of termination.

7.2 The Optionors will have the right to terminate this Agreement should Canstar be in default in performing any requirement herein set forth and subsequently fail to take reasonable steps to cure such default within fifteen (15) days after the giving of a notice of default by the Optionors.

SECTION 8. – NET SMELTER RETURNS ROYALTY.

8.1 In the event that Canstar exercises the Option and acquires a 100% interest in the Property, the Optionors shall thereafter be entitled to a three percent (3.0%) net smelter returns royalty (the

"Royalty") with respect to the Property on the terms set out in Schedule "C", such Royalty to be payable upon the commencement of Commercial Production.

- 8.2 Canstar shall be entitled to repurchase from the Optionors a one and one-half percent (1.5%) net smelter returns royalty with respect to the Property (i.e., fifty percent (50%) of the Royalty) at any time upon payment to the Optionors of \$1,000,000.
- 8.3 Canstar shall be entitled to repurchase from the Optionors an additional one and one-half percent (1.5%) net smelter returns royalty with respect to the Property (i.e., the remaining fifty percent (50%) of the Royalty) at any time upon payment to the Optionors of \$3,000,000.

SECTION 9. – OPTIONORS' AGREEMENT BETWEEN THEMSELVES.

- 9.1 The Optionors have agreed, as between themselves, to divide any monies (including, without limitation, the Royalty) and Canstar Shares due to them, and realized, pursuant to the terms of this Agreement in the proportions set out in the recital of the parties on the first page of this Agreement.
- 9.2 Should there not be agreement between the Optionors in respect of any matter set forth in this Agreement, any such issue in dispute between them shall be submitted to arbitration governed by the *Arbitrations Act, 1991* (Ontario), and any determination reached thereunder shall be binding on all parties to this Agreement.

SECTION 10. – GENERAL.

- 10.1 During the term of this Agreement, (i) none of the Optionors may assign this Agreement or any of their rights hereunder or in the Property without the prior written consent of Canstar, such consent not to be unreasonably withheld, and (ii) Canstar may not assign this Agreement or any of its rights hereunder or in the Property unless the assignee agrees to be bound by the terms of this Agreement. Notwithstanding the foregoing, Canstar is permitted to enter into any corporate reorganization, merger, amalgamation, takeover bid, plan of arrangement, or any other such corporate transaction which has the effect of directly or indirectly selling, assigning, transferring, or otherwise disposing of all or a part of Canstar's rights under this Agreement to a purchaser.
- 10.2 This Agreement inures to the benefit of and binds the Parties and their respective successors and permitted assigns.
- 10.3 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 Agreement.
- 10.4 No waiver of any term of this 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 Agreement shall be deemed to be a waiver of that right or remedy. No waiver of any breach of any term of this Agreement shall be deemed to be a waiver of any subsequent breach of that term.
- 10.5 No amendment, supplement or restatement of any term of this Agreement is binding unless it is in writing and signed by both Parties.
- 10.6 Notwithstanding anything to the contrary in this Agreement, if a Party is at any time delayed from carrying out any action under this Agreement due to circumstances beyond the reasonable control of such Party (aside from circumstances arising from the financial difficulty of such Party), acting diligently, the period of any such delay shall be excluded in computing, and shall extend, the time within which such Party may exercise its rights and/or perform its obligations under this Agreement.
- 10.7 Each of the Parties covenants, agrees and acknowledges that it was fully and plainly instructed to seek and obtain independent legal and tax advice regarding the terms and conditions and execution of this Agreement, and it has sought and obtained such legal and tax advice and acknowledges that it has executed this Agreement voluntarily understanding the nature and effect of this Agreement after receiving such advice.
- 10.8 Any notice or other communication required or permitted to be given under this Agreement must be in writing and shall be effectively given if delivered personally or by overnight courier or if sent by email, addressed to the address or email address (as the case may be) of the other Party set out on the first page of this Agreement. Any notice or other communication so given is deemed conclusively to have been given and received on the day of delivery when personally delivered, on the day following the sending

thereof when delivered by overnight courier, and on the same date when emailed (unless the notice is sent after 4:00 p.m. (local time of the recipient) or on a day which is not a business day, in which case the email will be deemed to have been given and received on the next business day after transmission). Any Party may change any particulars of its name, address or email address for notice by notice to the other Parties in the manner set out in this Section 10.8. No Party shall prevent, hinder or delay, or attempt to prevent, hinder or delay, the service on that Party of a notice or other communication relating to this Agreement.

- 10.9 Any payment made under this Agreement from one of the Parties to the other(s) may be made by certified cheque, money order or bank draft by personal delivery or overnight courier to the appropriate address set out in Section 10.8 above. All references to currency herein shall be deemed to refer to Canadian Dollars.
- 10.10 This Agreement may be executed in electronic form and in any number of counterparts, each of which shall be considered an original and all of which shall constitute one and the same agreement.

(remainder of page intentionally left blank)

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

SIGNED, SEALED AND DELIVERED)
BY **BRIAN FOWLER** in the presence of:)




Signature)

PHILIP LAM

Name)

13 STANLEY AVE, PINAWA, MB

Address ROE 120)



BRIAN FOWLER

SIGNED, SEALED AND DELIVERED)
BY **ANTHONY WORONA** in the presence of:)



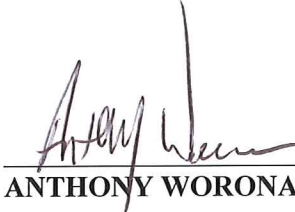
Signature)

PHILIP LAM

Name)

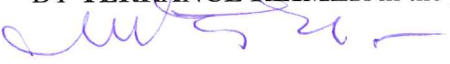
13 STANLEY AVE, PINAWA, MB

Address ROE 120)



ANTHONY WORONA

SIGNED, SEALED AND DELIVERED)
BY **TERRANCE REIMER** in the presence of:)



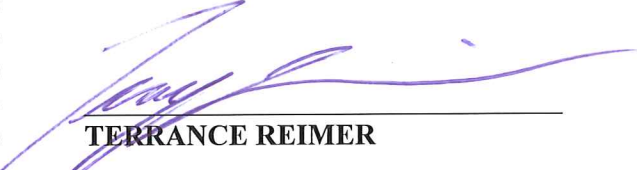
Signature)

MIKE RADOIN

Name)

30 Alexander Ave, Pinawa

Address)



TERRANCE REIMER

SIGNED, SEALED AND DELIVERED)
BY PATRICK KELLY in the presence of:)

Gerard Buchanan)
Signature)

Gerard Buchanan)
Name)

#3 Stanley Ave, MB (Pinawa))
Address ROE 1LO)

Patrick Kelly
PATRICK KELLY

CANSTAR RESOURCES INC.

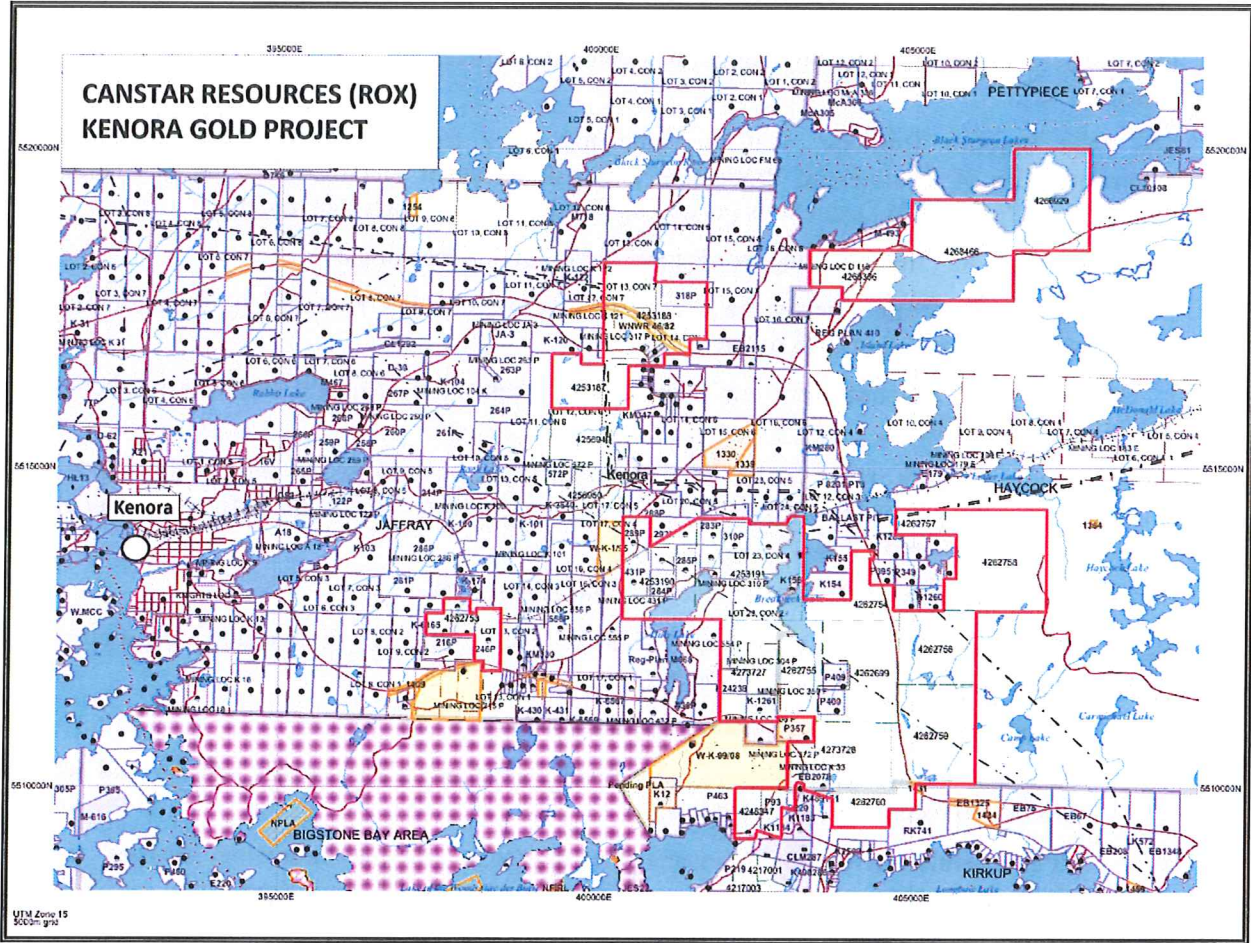
By: _____
Authorized Signing Representative

SCHEDULE "A" – PROPERTY CLAIMS

The Property is comprised of 19 mining claims totalling 182 claim units (7,280 acres), as shown in the table below:

Claim #	Units	Expiry Date
4266929	12	Jul 3/14
4268466	16	Jul 3/14
4268386	8	Jul 3/14
4253187	7	Jul 18/14
4253188	13	Jul 18/14
4253190	11	Sep 10/14
4253191	16	Sep 10/14
4262699	10	Feb 1/15
4262753	5	Mar 8/15
4262755	8	Mar 13/15
4262754	7	Mar 13/15
4262756	9	Mar 13/15
4262759	12	Mar 22/15
4262760	8	Mar 22/15
4248347	5	Mar 22/15
4262757	2	Mar 22/15
4262758	16	Mar 22/15
4273727	10	May 23/15
4273728	7	May 23/15

SCHEDULE "B" – PROPERTY MAP



SCHEDULE "C" – NET SMELTER RETURNS ROYALTY

1. The Royalty described in Section 8 of the Agreement to which this Schedule "C" is attached will be such percentage of Net Smelter Returns (as calculated in accordance with Section 2 below) as is determined from time to time in accordance with Section 8 of the Agreement, and will be paid to Payees (as hereinafter defined) by Payor (as hereinafter defined) in accordance with the terms of this Schedule "C".
2. The "**Net Smelter Returns**" will be calculated on a calendar quarter basis following the commencement of Commercial Production and will be equal to Gross Revenue (as hereinafter defined) less Permissible Deductions (as hereinafter defined) for each such quarter.
3. In this Schedule "C", the following words have the following meanings:
 - i. "**Gross Revenue**" means the aggregate of the following revenues (without duplication) actually received in each quarterly period:
 - A. the revenue from arm's length purchasers of all Mineral Products (as hereinafter defined);
 - B. the fair market value of all Mineral Products sold to persons not dealing at arm's length with the owner of the Property from which the Mineral Products are produced; and
 - C. any proceeds of insurance on Mineral Products;
 - ii. "**Mineral Products**" means all valuable metals, minerals and refined or semi-refined products produced from the Property;
 - iii. "**Payor**" means Canstar as operator of the Property;
 - iv. "**Payees**" means the Optionors, collectively, as joint holders of the Royalty and who are entitled to receive payment thereof;
 - v. "**Permissible Deductions**" means the aggregate of the following charges (without duplication) that are paid or accrued with respect to the Mineral Products in each quarterly period:
 - A. all costs, expenses, charges and penalties of any nature whatsoever which are either paid or incurred in connection with mining, refinement or beneficiation of Mineral Products, including all extraction and mining costs, all processing, minting, smelter, milling and refinery charges and all weighing, sampling, assaying, handling, representation and storage costs, any umpire charges, and any interest, penalties and provisional settlement fees charged by the processor, mint, refinery, mill or smelter;
 - B. transportation costs for Mineral Products from the Property to the place of beneficiation, processing, minting, smelting, milling, refining or treatment and thence to the place of delivery of Mineral Products to a purchaser thereof, including shipping, freight, security, insurance, transaction taxes, port, demurrage, delay, handling and forwarding expenses;
 - C. sales charges and brokerage costs levied by any sales agent on the sale of Mineral Products;
 - D. all insurance on Mineral Products; and
 - E. any sales, excise, production, import, export, use, *ad valorem*, use severance, net proceeds of mine, and other taxes and levies, including mining taxes on such Mineral Products (but excluding income taxes);
 - vi. "**Trading Activities**" shall mean forward sales, futures trading or commodity options trading, and other price hedging, price protection or speculative arrangements that may involve the possible delivery of Mineral Products; and
 - vii. all terms which are defined in the Agreement and used but not otherwise defined herein shall have the same meanings as given to them in the Agreement, unless the context expressly requires otherwise.

4. For greater certainty, and without limiting the generality of the foregoing, all charges deducted by an arm's length purchaser of metals or minerals whether for smelting, treatment, handling, refining, milling, minting, processing, storage or any other operation on or service relating to the Mineral Products that occurs after the point of sale shall be considered to be legitimate deductions in arriving at the Net Smelter Returns amount.
5. Payor shall have the right to commingle ore or concentrates produced from the Property with ores or concentrates produced from other mineral properties in which Payor may have an interest, provided that Payor shall (i) adopt and employ reasonable practices and procedures for weighing, determining moisture content of, and sampling and assaying such ore or concentrates, and recording such data; and (ii) utilize reasonably accurate recovery factors to determine the amount of Mineral Products allocable to the Property. Payees or their authorized representatives shall have the right during normal business hours and upon reasonable notice to Payor to examine and audit, from time to time at their own expense, the records of Payor relative to the commingling of ores and concentrates produced from the Property.
6. Payor agrees to maintain up-to-date and complete records for any operations carried out on the Property and in respect of which the Royalty is payable. If treatment and/or smelting of the Mineral Products derived from such operations is performed off the Property, accounts, records, statements and returns relating to such treatment and smelting arrangements shall be maintained by Payor or the owner. Payees or their authorized representatives shall have the right during normal business hours and upon reasonable notice to Payor to inspect such accounts, records, statements and returns and make copies thereof at their own expense for the sole purpose of verifying the amount of Royalty payments.
7. The Royalty will be calculated and paid within ninety (90) days after the end of each calendar quarter. Smelter settlement sheets, if any, and a statement setting forth calculations in sufficient detail to show the payment's derivation (the "**Statement**") must be submitted with the payment.
8. In the event that final amounts required for the calculation of the Royalty are not available within the time period referred to in Section 7 above, then provisional amounts will be estimated and the Royalty paid on the basis of this provisional calculation. Positive or negative adjustments will be made to the Royalty payment for the next succeeding quarter.
9. Subject to the adjustment provisions of this Schedule "C", all Royalty payments will be considered final and in full satisfaction of all obligations of Payor with respect thereto, unless any Payees deliver to Payor a written notice (an "**Objection Notice**") describing and setting forth a specific objection to the calculation thereof within sixty (60) days after receipt by Payees of the Statement. If any Payees object to a particular Statement as herein provided, such Payees will, for a period of sixty (60) days after Payor's receipt of such Objection Notice, have the right, upon reasonable notice and at a reasonable time, to have Payor's accounts and records relating to the calculation of the Royalty in question audited by the auditors of such Payees. If such audit determines that there has been a deficiency or an excess in the payment made to Payees, such deficiency or excess will be resolved by adjusting the next quarterly Royalty payment due hereunder. Such Payees will pay all the costs and expenses of such audit unless a deficiency of five percent (5%) or more of the amount due is determined to exist, in which case Payor will pay the costs and expenses of such audit. All books and records used and kept by Payor to calculate the Royalty due hereunder will be kept in accordance with Canadian generally accepted accounting principles. Failure on the part of Payees to make claim against Payor for adjustment in such sixty (60) day period by delivery of an Objection Notice will conclusively establish the correctness and sufficiency of the Statement and Royalty payment for such quarter, and shall forever preclude the filing of exceptions thereto or making of claims for adjustment thereon by any Payees. Nothing herein will limit Payees' rights arising out of fraud by Payor.
10. Payor may, but need not, engage in Trading Activities. Payees shall not be entitled to participate in the proceeds of or be obliged to share in any losses generated by Payor's Trading Activities. If valuable metals produced from the Property are actually delivered pursuant to such Trading Activities, such valuable metals shall, for the purposes of calculating the Royalty payable hereunder, be deemed to be sold and delivered at a price equal to the average weekly price (for the week immediately preceding the deemed sale) for such metals contained in such quotes as the "COMEX" price, first position, by *Metals Week*, or an authoritative alternative publication reasonably designated by Payor that publishes such prices on a weekly or daily basis. Such sale shall be conclusively

deemed to be a sale at a fair market value to an arm's length purchaser, "FOB" the refinery for the Mineral Products.