

The OEC has been established to invest in Mining Lands with high economic potential. The financial assistance is given in exchange for a Royalty in the Mining Lands. The aim of OEC is to build equity from the mineral prospect in the form of royalties.

O E C

Ontario Exploration Corporation

**NEW THREE PHASE FUNDING
UP TO \$85,000: \$10,000 to start**

Guidebook and Application Forms

Please read the Guidebook and Funding and Royalty Agreement prior to filling out the enclosed application forms

How much funding can you receive?

Is the funding taxable?

Do you qualify?

How will your application be assessed?

How to Apply?

Application for Funding Form

Prospecting Proposal

Proceeding with your Prospecting Project

Allowance

Eligible Expenditures

OEC Final Submission Instructions

For Further Information

Application for Funding Form Phase I, II and III

Final Submission Form

Funding and Royalty Agreement

updated October 2008

What is an OEC investment?

The Ontario Exploration Corporation investment is a purchase of a Royalty in Mining Lands within Ontario.

SUMMARY of PROSPECTORS ASSISTANCE

ELIGIBLE ACTIVITIES/EXPENSES

All expenses eligible for Assessment on Mining Lands as defined in the Ontario Mining Act.

There is no per diem for work performed by the applicant.

PAYMENT

50% of the funding on approval and signing of Funding and Royalty Agreement. The balance on submission and approval of the Final Submission Form including Technical Report and Assessment Credit Approval letter. **ASSESSMENT CREDIT APPROVAL LETTERS CAN TAKE 100 DAYS, THEREFORE ASSESSMENT SHOULD BE FILED IN SUFFICIENT TIME TO ENSURE RECEIPT IN TIME FOR YOUR FOR FINAL SUBMISSION.**

MAXIMUM ASSISTANCE

Maximum Financial Support is \$10,000 per applicant for a 1.0% Royalty per property. Second funding of \$25,000 for an additional 0.25% royalty and third project funding of \$50,000 for an additional 0.25% royalty for continuing exploration projects. **The Royalty has a buyback clause defined in the accompanying funding and royalty agreement.**

How much funding can you receive?

The maximum financial support is \$10,000 per applicant per project. A second funding of \$25,000 for an additional 0.25% royalty and a third project funding of \$50,000 for an additional 0.25% royalty for continuing exploration projects

If your application and exploration proposal is accepted, the Funding and Royalty Agreement must be signed between the applicant and OEC. The Funding and Royalty agreement, specifies the Royalty (NSR) and the buy back clause of the Royalty. On acceptance and receipt of the Funding and Royalty

Agreement, OEC will issue 50 per cent of the financial support.

The balance of the funds will be paid after review and approval of your final submission on the project and proof of all the work being applied and approved as Assessment work to the claims listed in the Funding and Royalty Agreement. Incomplete reporting of your prospecting project may result in reduction of your funding. Financial assistance is not automatic.

The OEC reserves the right to refuse any request for assistance, in whole or in part.

Is the OEC Funding Taxable?

OEC recommends that you contact your tax advisor as to the tax implications of your funding.

Deadlines for the OEC Applications and Final Submissions

Deadline for OEC Final Submissions is **is the 1st Anniversary Date of your agreement with the OEC.** Final payments of funding will be forfeited and initial fundings will be recalled if forms and supporting documentation are not received by this date.

Do you qualify?

To qualify you must:

- **have the right to surrender a Royalty in the Mining Lands where work is to be performed.**
- have the mining lands registered in your name and are free and clear of any liens, hypothecs, charges encumbrances or royalties
- be the legal and beneficial owner of the Claims
- hold a valid Ontario Prospector's Licence
- have a prospecting project within Ontario on ground that you have the legal right to prospect i.e. staked, leased or patented claims in which you hold an interest
- have a prospecting target that may include rocks containing metallic or non-metallic minerals but excluding sand and gravel
- provide satisfactory evidence of having a sound knowledge of mineral prospecting techniques through experience and / or training
- clearly identify your proposed prospecting area on a current claim map submitted with your application

Only one application per property at one time is permitted. No new application can be made prior to the approval of a previous Final Submission.

How will your application be assessed?

Funding is not automatic – the following factors will be considered in determining the acceptance and designation of your project in relation to other proposals.

***Please note that applications that are incomplete will not be approved nor will applicants receive an opportunity to update their application. Previous applications submitted by the applicant will not be referred to.**

- A) Experience and training of applicant (provide names, dates, places and methods).
- B) Past performance of applicant (provide list of financial support and option agreements including name of person(s), source of funds or company optioned to, dates, location of claims, etc.).
- C) Past performance of applicant confirmed by Industry and Ministry references that can comment on your prospecting ability.
- D) Economics, quality and documentation of proposal. Quality refers to quality of information, not appearance.
- E) Work programs that produce assays or analytical results are preferred as they enhance grassroots properties.

Note that most of the emphasis in the review of the applications will be placed on Economics of the property (Especially in Phase II and III applications).

How to Apply

Application for OEC Financial Assistance **must include:**

1. A fully completed Application Form.
2. Two signed and dated Funding and Royalty Agreements.
3. A Prospecting Proposal including a current claim map(s) outlining the location of your mining lands and current claim abstracts or title document.
4. A photocopy of your Ontario Prospector's Licence.

ALL APPLICATIONS WILL BE HELD CONFIDENTIAL FOR TWO YEARS. NO APPLICATIONS OR PARTS OF APPLICATIONS CAN BE RETURNED.

1. Application for Funding Form

Please be sure to fill out all parts of the form and include:

- a) Ministry and industry references.
- b) Contact telephone number(s) which can be used to locate you before, during or after your project.
- c) Number of years of prospecting or exploration experience and the type of relevant education obtained.

Please attach additional pages to include information you feel is important to your application.

2. Prospecting Proposal

Document your prospecting proposal for the current application by providing the following information in addition to the Application Form:

- a) Identify project location by: area, township, mining division, claim map sheet, NTS map sheet and UTM coordinates.
- b) Location map of project area.
- c) Access – a written description of how to get to the mining lands if an inspection is to be made by OEC.
- d) A list of mining lands and a **recent** claim map with claims outlined must be supplied.
- e) Prospecting targets, i.e. commodities, and/or minerals and deposit type.
- f) Geology: regional and local.
- g) A summary of **all** previous work done on property giving year, type of work and by whom.

If you have worked on this property in the past, a compilation map showing all your previous work must be included.

- h) Reason for rationale-economics of your OEC project.
- i) Description of type and amount of proposed work, i.e. miles/km of prospecting, number of samples to be assayed or analysed, geological, geophysical and geochemical surveys, area of

stripping and trenching; number and depth of drill holes.

Note: Projects that enhance the property's marketability will receive more consideration.

- j) An accurate estimate of the number of working days to be spent in the field by the applicant.
- k) An accurate estimate of the project budget.

Applicants should discuss their completed applications with the local Resident Geologist's staff prior to submission.

Make a photocopy of your proposal for your records. The work that you will actually complete will be compared with your proposal before final payment of the financial assistance is approved.

Proceeding with your Prospecting Project

Review the requirements for OEC Final Submission before proceeding with your OEC funded prospecting project. This will assist you when submitting your final documentation. **Applicants are responsible for all permits, licenses and insurance required to complete the proposed program.**

Daily Allowance

There is no daily allowance to the applicant.

A detailed Daily Activity Log must accompany the Final Submission.

Assessment Work filed must include applicant's time.

Eligible Expenditures

Time spent and expenses incurred prior to the Application Date cannot be used to satisfy Financial Assistance requirements.

Eligible expenditures are defined as all expenses eligible as assessment work under the Ontario Mining Act and Regulations.

A detailed list of expenditures must be submitted with your final submission, so keep all receipts and a record of your expenses on your prospecting project. Copies may be requested. Receipts must be submitted for all helpers or contractors employed during the OEC project.

Applicants may claim rental costs when using their own equipment during the designated project. Rates of rental will be at commercially recognized rates as acceptable for Assessment credit.

Travelling expenses in Ontario by road can be charged at a rate of 50¢/km for the use of your own vehicle **OR** expenses (fuel, oil, etc.), not both. Other forms of travel (air, etc.) within Ontario may also be claimed at cost.

Expenses for purchase of non-consumable items are not eligible. Examples of non-consumable items: camping equipment, prospecting equipment, clothing, chainsaws, waterpumps, etc.

In cases where any change of project is required, it should be approved by OEC prior to completion. Failure to do so may lead to cancellation of the assistance.

Note that if work on a designated project is discontinued before the proposed project is completed, you must notify the OEC in writing within 30 days of discontinuing the work.

OEC Final Submission Instructions

After completion of the proposed project, an OEC Final Submission Form (provided within this package) and supporting documentation should be submitted as soon as possible. Supporting documentation **must** include a copy of the Assessment Credit Approval letter. Deadline for this submission is **the Anniversary Date of your Agreement**. If it is not received by this date, you will have to return the initial funding payment.

Please read the following instructions carefully.

Final submission for the OEC Financial assistance program must include:

- **A fully completed Final Submission Form.**

- **One technical report including all results for your prospecting project including recent claim map(s) with area(s) of work outlined.**
- **A copy of the Assessment Credit Approval letter.**

NOTE: The Final Submission Form and attached receipts are to be submitted separately from your technical reports.

1. A completed OEC Final Submission Form with supporting documentation must be submitted **no later than the Anniversary Date of your Agreement** for final payment of the assistance. Final payments of assistance will be forfeited if forms and supporting documentation are not received by this date and the initial funding monies must be returned. **No extension of time will be allowed for submitting Final Submission forms.** Supporting data must include financial and technical data as described below.
2. A detailed list of expenditures, tabulated by date (s), recipient of payment, nature of the expense and the amount must be provided (see Final Submission Form). These must conform to “eligible exploration expenditures” as described above. Expenses must have been incurred within the designated project period. Receipts must be submitted for all helpers and contractors employed during the OEC project. You are advised to

retain your other receipts as your project may be audited.

3. A daily activity log outlining the work activity for each day must be submitted. Clearly indicate the dates worked and the description of work accomplished.
4. One complete set of all results of your prospecting project is required. Technical data should consist of but not limited to **(Mining Act Regulations specify required format of each)**:
 - sections describing the following topics: Location and Access, Geology, Work Done, Results and Recommendations;
 - maps and plans (including recent claim map with area of work outlined);
 - drill logs and sections;
 - assay and analytical results
 - all other results that were produced and describe the work done.

Please review the Mining Act Assessment Regulations for details.

For Further Assistance Please Contact:

**OEC
1100 Memorial Avenue,
Suite 364
Thunder Bay, ON
P7B 4A3
Toll Free: 866-259-3818**

APPLICATION FOR FUNDING
ONTARIO EXPLORATION CORPORATION ASSISTANCE PROGRAM
(OEC)

INSTRUCTIONS: Please read the guidebook before completing form. Please type or print in ink

Submit completed form to:

Ontario Exploration Corporation, 1100 Memorial Avenue Suite 364
Thunder Bay, ON P7B 4A3

Office Use Only
File Number:

Date of application _____

Last Name _____ First Name(s) _____ Mr. Mrs. Miss Ms.

Address _____

City _____ Province _____ Postal Code _____

Telephone () _____ Contact Telephone () _____

Email Address: _____

Client No. _____ Occupation _____

(Attach photocopy of your Ontario Prospectors Licence)

Briefly state your prospecting or related experience and training (No. of years and type) (attach separate list if necessary):

Industry References (that can comment on your prospecting ability):

Name _____ Telephone _____ Occupation _____

Name _____ Telephone _____ Occupation _____

Ministry reference (if known, preferably Resident Geologist staff):

Past performance (list of properties optioned, locations, optionee, year, financial assistance, source of fund) (attach separate list if necessary)

Briefly describe your prospecting project and attach proposal (see guideline for details)

Start date of project _____. Proposed number of: field working days by applicant _____, report preparation days by applicant _____

Proposed project area(s)(Twp. or claim map name, UTM, NTS, and Resident Geologist's area)

APPLICATION FOR FUNDING
Proposed Budget (Assessment Eligible Expenses Only)

1. Analyses, Assay Costs.....	\$	
2. Equipment Rentals/Supplies	\$	
3. Contract Services (state type) _____	\$	
_____	\$	
_____	\$	
4. Travel (state method: road, air, etc.) _____	\$	
5. Food and Accommodation	\$	
6. Other Expenses (specify) _____	\$	
_____	\$	
TOTAL EXPENDITURES	\$	
Funding Requested	\$	

The Ontario Exploration Corporation may verify all statements related to and made herein this application.

I hereby declare that:

1. I am the person named in the Application for Funding from the Ontario Exploration Corporation.
2. I have complied with all requirements of the said program.
3. I am stating that all statements and all other information submitted in support of the said application are true and correct.
4. I will not be an employee of the Ontario Exploration Corporation while in receipt of OEC funding.
5. I am aware that all work and expenses completed utilizing the OEC funding will be applicable to the listed Mining Lands as Assessment work under the Mining Act RSO.
6. I understand that an incomplete application will be rejected and that no revisions will be permitted following receipt.
7. I understand funding will only be forthcoming once a Funding and Royalty Agreement defining the Claims, the Royalty to be tendered, the terms of the royalty buy-back and the amount of funding offered is signed with the Ontario Exploration Corporation.
8. The Claims to which I am a beneficial owner are free and clear of any undeclared liens, hypothecs, charges, encumbrances or royalties.

Signature of Applicant _____ Date _____

Name (print) _____

Personal information collected on this form by OEC and OPA will be held in confidence.

FINAL SUBMISSION FORM (Phase I, II and III)
ONTARIO EXPLORATION CORPORATION ASSISTANCE PROGRAM
(OEC)

INSTRUCTIONS: Please read the guidebook before completing form

Please type or print in ink

Submit completed form and supporting documentation by the one year anniversary of OEC award:

Ontario Exploration Corporation, 1100 Memorial Avenue, Suite 364
Thunder Bay, ON P7B 4A3

To be completed by successful applicant after completion of the project and must be accompanied by: detailed work report(s) and map(s) for the project; recent copies of claim map(s) with area(s) of work outlined; a copy of the Assessment Credit Approval Letter.

Attach your receipts to this form when you have completed it. Submit this form and attached receipts separately from your detailed work reports.

Applicant Name _____ Phase I II III (circle)

File Number _____

Proposed project area (Twp. and claim group name)

Changes to proposed project(s) (if any)

I. WORK PERFORMED (Summary of Section IV)

1. Project area/name _____ No. days worked _____

Traditional prospecting	No. of samples _____	_____
Geological surveys	Scale _____	_____
Geophysical surveys	Type _____ Miles/km _____	_____
Geochemical surveys	Type _____ # of samples _____	_____
Drilling	Type _____ Ft./m _____	_____
Stripping/Trenching	Method _____	_____
Other	Type _____	_____
Other	Type _____	_____
Other	Type _____	_____

TOTAL Days Worked _____

II. EXPENDITURES (total of all projects) – Summary of III

1. Analyses/Assay costs.....		\$ _____
2. Equipment rentals	\$ _____	
.....	\$ _____	\$ _____
3. Consumable Supplies		\$ _____
4. Contract services (state type)		
.....	\$ _____	
.....	\$ _____	
.....	\$ _____	
.....	\$ _____	\$ _____
# of workers _____ # of man days worked _____		
5. Travel (state method: road, air, etc.)		
.....	\$ _____	\$ _____
.....	\$ _____	\$ _____
6. Food and Accommodation		\$ _____
7. Other expenses (specify)		
.....	\$ _____	
.....	\$ _____	\$ _____
9. Helpers		
# of helpers _____ # of man days worked _____		
TOTAL EXPENDITURES		\$ _____
TOTAL		\$ _____

Total applied for Assessment Credit must include applicants Time

Day	Name	Date	Work Performed
1			
2			
3			
4			
5			
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7			
8			
9			
10			
11			
12			
13			
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(Attach additional sheets as required)

V. SIGNIFICANT RESULTS

Location	New Showings and/or Anomalies	Commodity	Best Analyses
_____	_____	_____	_____

Add additional notes if required

VI. CLAIMS STAKED DURING/AFTER PROSPECTING ACTIVITY

Project Area	Claim Numbers	Number of Claim Units
_____	_____	_____

Please outline on claim map

VII. OPTION AGREEMENT RESULTING FROM OEC PROJECT

Optionee	Date	Property/Claims	Work Commitment
_____	_____	_____	_____

The Ontario Exploration Corporation may verify all statements related to and made herein this application.

I hereby declare that:

1. I am the person named in the Application for Funding from the Ontario Exploration Corporation.
2. I have complied with all requirements of the said program.
3. I am stating that all statements and all other information submitted in support of the said submission are true and correct.
4. I have not been an employee of the Ontario Exploration Corporation while in receipt of OEC funding.

Signature of Applicant _____ Date _____

Name (print) _____

Personal information collected on this form by OEC and OPA will be held in confidence.

PHASE I FUNDING AND ROYALTY AGREEMENT

THIS AGREEMENT made

B E T W E E N:

NAME: _____
ADDRESS: _____

(Hereinafter referred to as the “**Claimholder**”)

OF THE FIRST PART

AND

ONTARIO EXPLORATION CORPORATION
1100 Memorial Avenue, Suite 364
Thunder Bay, ON P7B 4A3

(Hereinafter referred to as the “**OEC**”)

OF THE SECOND PART

RECITALS:

WHEREAS the Claimholder has agreed to sell to the OEC and the OEC has agreed to purchase from the Claimholder a 1.0 % Royalty interest in the Claims (as hereinafter defined), upon the terms described herein;

NOW THEREFORE THIS AGREEMENT WITNESSETH THAT in consideration of the mutual covenants and agreements herein contained and for other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the parties hereto agree with each other as follows:

ARTICLE 1 INTERPRETATION OF AGREEMENT

1.1 Definitions

The following terms shall have the meaning ascribed to them below unless there is something in the context inconsistent therewith:

- (a) “**Agreement**” means this Royalty agreement, including all of the Schedules hereto, and all amendments made hereto in accordance with the provisions hereof.
- (b) “**Application Date**” means the date of the submission of the Application for Funding to OEC by the Claimholder, as more particularly set out in the Application for Funding attached hereto as Schedule “T”.

- (c) “**Assessment Credit Approval Letter**” means that letter issued by the Ministry of Northern Development of Mines approving expenditures submitted as assessment work.
- (d) “**Claims**” means those claims located in Ontario and which are listed in Schedule III hereto.
- (e) “**Effective Date**” means the date upon which this Agreement is executed by OEC as hereinafter set out.
- (f) “**Anniversary Date**” means the date one year from the Effective date of the Agreement
- (g) “**Final Submission Form**” means the Ontario Exploration Corporation Assistance Program final submission form.
- (h) “**Memorandum of Agreement**” means an instrument summarizing this agreement for the purpose of recording on title a beneficial interest in the Claims.
- (i) “**Net Sales Return Royalty**” means the net sales return royalty as defined in Schedule IV attached hereto.
- (j) “**Net Smelter Return Royalty**” means the net smelter return royalty as defined in Schedule IV attached hereto.
- (k) “**Royalty**” means either the Net Sales Return Royalty and/or the Net Smelter Return Royalty.
- (l) “**Technical Report**” means any report filed for assessment work on the Claims.

1.2 The division of this Agreement into sections, clauses, paragraphs and the insertion of headings are for the convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.3 The words “herein”, “hereto” and “hereinafter” and other words of similar import refer to this Agreement as a whole and not to any particular section, paragraph, or other subdivision of this Agreement.

1.4 Any reference to currency is to Canadian currency and any amount advanced, paid or calculated is to be advanced, paid or calculated in Canadian currency.

1.5 Any reference to a statute is to such statute and to the regulation made pursuant to the laws of the Province of Ontario or Canada, as may be amended or modified from time to time.

1.6 Persons are not dealing “**at arm’s length**” with one another for the purpose of this Agreement if they would not be dealing at arm’s length with one another for the purposes of the *Income Tax Act* (Canada).

- 1.7 Words importing the masculine gender include the feminine or neuter gender and words in the singular include the plural, and vice versa.
- 1.8 All references to Schedules refer to Schedules of this Agreement, which are part of and form an integral part of this Agreement.

The Schedules of this Agreement are:

Schedule I: Application for Funding

Schedule II: Declaration of Co-Owner

Schedule III: Claims

Schedule IV: Royalties

Schedule V: Royalty Buy-Back

Schedule VI: Final Submission Form (to be completed following execution of this Agreement)

ARTICLE 2

TERM

- 2.1 This Agreement shall be effective as and from the Effective Date and shall continue in full force and effect up to and including the day upon which the Claims either lapse or expire and shall be applicable to any Claims restaked by order of any relevant governmental authority and to all successor mineral lease claims, permits or rights of any nature whatsoever.
- 2.2 The Claimholder shall take all such necessary steps and action to ensure the Claims are subsisting and shall continue to subsist and shall not do or omit to do any act which shall cause the Claims to lapse or expire (except in the ordinary course), or be cancelled, forfeited or revert to the Crown.
- 2.3 Notwithstanding the termination or expiry of this Agreement either upon the expiry or lapse of the Claims or otherwise, the obligations of the Claimholder pursuant to Articles 5 and 6 herein shall survive such termination or expiry and shall continue to be binding upon the Claimholder.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES OF THE CLAIMHOLDER

The Claimholder hereby represents and warrants that:

- 3.1 The Claimholder is a legal and beneficial owner of the Claims, which Claims are free and clear of any undeclared liens, hypothecs, charges, mortgages, encumbrances, claims or royalties;
- 3.2 The Claims have been properly staked and recorded and are in good standing under all applicable laws and regulations and there is no dispute in respect of the Claims;
- 3.3 The Claims are in conformity with all laws, regulations, orders, policies and requirements including, without restricting the generality of the foregoing, all environmental laws, regulations, orders, policies and requirements.
- 3.4 The Claimholder has the right to enter into this Agreement and the performance of the Claimholder's obligations hereunder shall not be in breach of, or in conflict with any agreements or undertakings between the Claimholder and any governmental authority in Canada or any other party;
- 3.5 The Claimholder has no knowledge of any claim, pending claim or litigation as to the ownership of any of the Claims;
- 3.6 All information, statements and representations made in the Application for Funding attached hereto by the Claimholder are true and correct at the time made, and are true and correct as at the Effective Date and the date of execution of this Agreement, save and except for as previously disclosed to OEC by the Claimholder in writing.
- 3.7 The Claimholder acknowledges that no person, other than the Claimholder, holds any undeclared right, title, interest or royalty interest in the Claims except those persons disclosed pursuant to Section 3.8 herein.
- 3.8 The Claimholder has provided all documentation of any right, title, interest or royalty interest in the Claims held by other parties, together with the Application for Funding to the OEC, which documentation accurately reflects all interests in and to the Claims as of the Application Date.
- 3.9 The Claimholder has provided to the OEC executed copies of the Declaration of Co-Owner in the form set out in Schedule II hereto with respect to all parties that hold any interest, right or title in and for the Claims as of the Application Date and the Effective Date.
- 3.10 Since the Application Date, there has been no legal or beneficial change in or to the rights and interests of any parties to the Claims which have not been previously disclosed to the OEC and no change to the legal or beneficiary rights or interests in and to the Claims shall be made without the Claimholder providing at least five (5) days' prior written notice to the OEC.
- 3.11 The Claimholder has no knowledge of any fact pertaining to the Claims or of any work carried out in respect of the Claims that may in any way breach any laws, regulations, orders, policies and requirements of government authorities affecting the claims, including any environmental laws, regulations and requirements;

- 3.12 The Claimholder acknowledges that these representations and warranties are conditions on which the OEC has relied on to enter into this Agreement and that such representations and warranties will survive the execution of this Agreement.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF THE OEC

The OEC hereby represents and warrants that, as of the Effective Date of this Agreement:

- 4.1 It has been duly incorporated, organized and is a validly subsisting corporation under applicable laws and regulations;
- 4.2 It has accomplished all necessary corporate acts and proceedings in order to authorize the execution of this Agreement;
- 4.3 It has the right to enter into and to execute this Agreement;
- 4.4 The execution of this Agreement does not breach its articles or its by-laws.

ARTICLE 5 CONSIDERATION

- 5.1 The Claimholder hereby grants to the OEC an exclusive and irrevocable interest of a one percent (1.0%) Royalty in the Claims on the following basis:
- (a) On the execution date the OEC hereby agrees to pay the Claimholder \$10,000 by cash or cheque for a 1.0% Royalty in the Claims.
 - (b) The OEC hereby agrees to pay the Claimholder \$5,000 by cash or cheque on approval by the OEC of the Final Submission Form and the Technical Report (in such form as the OEC shall require from time to time) and delivery by the Claimholder of an Assessment Credit Approval Letter.
 - (c) Notwithstanding the foregoing and despite the provisions in Sections 6.1, 6.2, 6.3, and 6.4 hereof, if the Claimholder does not use his best efforts to deliver the Final Submission form, Technical Report or Assessment Credit Approval letter by 5:00 p.m. (Toronto Time) on the Final Submission Date, the OEC shall be deemed to have paid the amounts in subsections 5.1(a) and 5.1(b) hereof and the OEC shall be entitled to keep the 1.0% Royalty.
- 5.2 The Royalty granted herein by the Claimholder shall entitle OEC to receive payment equal to one percent (1.0 %) of either the Net Sales Returns Royalty or the Net Smelter Returns Royalty from mineral substances extracted from the Claims, as defined in Schedule III attached hereto, such payments to be made by the Claimholder on a quarterly basis in arrears or as otherwise agreed upon by the parties. The Claimholder shall have the right to purchase up to and including three-quarters (3/4) of such Royalty, at any time, as set forth in Schedule V.

ARTICLE 6
RIGHTS AND OBLIGATIONS OF THE CLAIMHOLDER

- 6.1 While this Agreement is in force, the Claimholder shall have the exclusive right of access to the Claims and to explore for minerals on the Claims and shall have sole and absolute discretion as to the work carried out on the Claims. Notwithstanding the foregoing, the Claimholder shall carry out the work as set out and specified in the Application for Funding and/or the Final Submission Form.
- 6.2 In the event the Claimholder does not, for any reason whatsoever, submit a Final Submission Form that is approved by OEC in its sole and absolute discretion, a Technical Report or an Assessment Credit Approval Letter to the OEC on or before Final Submission Date, the Claimholder shall within fifteen (15) days of receipt of a written demand for repayment by the OEC, return all such advances or payments made to or on behalf of the Claimholder by the OEC to the OEC by cash, certified cheque or bank draft.
- 6.3 In the event the Claimholder does not, for any reason whatsoever, complete the work as set out in the Application for Funding, the Claimholder shall, within fifteen (15) days of receipt of a written demand for repayment by the OEC, return all such advances or payments made to or on behalf of the Claimholder by the OEC to the OEC by cash, certified cheque or bank draft.
- 6.4 The Claimholder shall not alter, amend, or change the nature, scope or extent of the work as set out in the Application for Funding (hereinafter sometimes referred to as the “Work”) in any manner whatsoever without the prior written consent of the OEC. In the event the Claimholder has made any alterations, amendments or changes to the nature, scope or extent of the Work, without the prior consent of the OEC, the OEC shall be entitled, in its sole and absolute discretion, and upon written notice to the Claimholder, to demand the repayment of all advances or payments made to or on behalf of the Claimholder. The Claimholder shall repay all such advances or payments within fifteen (15) days of the receipt of the written demand for repayment by the OEC.
- 6.5 In the event the Claimholder wishes to alter, amend or change the nature, scope or extent of the Work, the Claimholder shall notify OEC in writing of such proposed alterations, amendments or changes at least thirty (30) days prior to the proposed commencement date of such alterations, amendments or changes to the Work. The consent of the OEC to any alterations, amendments or changes to the Work shall not be unreasonably withheld.
- 6.6 The Claimholder will be responsible and liable for any damage caused while carrying out or causing to be carried out work on the Claims and shall indemnify and hold the OEC harmless from any and all claims, actions, causes of action, demands, charges, expenses, loans, premiums, fines, penalties and costs (including all legal costs on a substantial indemnity scale) resulting from, or in any way related to, any activity carried out by or on behalf of the Claimholder on the Claims.
- 6.7 All valid assessment work carried out during the term of this agreement, in an amount equal to the amounts paid by OEC pursuant to subsections 5.01(a) and 5.01(b) hereof, shall be filed for assessment purposes on the Claims with the relevant regulatory authorities.
- 6.8 The Claimholder shall carry on the Work in a manner consistent with mining industry standards and all applicable laws, regulations, by-laws, ordinances, rules, and orders

made by any competent governmental authority, including, but not limited to, the maintenance of proper security measures.

- 6.9 The Claimholder shall ensure that all environmental reclamation and remediation work required to be done in connection with exploration or other activity carried out by the Claimholder on the Claims is completed in a timely manner at the Claimholder's expense in accordance with applicable law.

ARTICLE 7 RIGHTS AND OBLIGATIONS OF THE OEC

- 7.1 The OEC reserves its right of access, at its own risk, to the Claims to inspect the work carried out by or on behalf of the Claimholder, without however interfering with the Claimholder's work.
- 7.2 All information received by the OEC shall be kept confidential in accordance with the *Personal Information Protection and Electronic Documents Act*, and all other applicable privacy legislation, and shall not be released to any other party without the prior written consent of the Claimholder, save and except for any disclosure or release of information: (i) required pursuant to any law, regulation, order, bylaw or other legislative or administrative enactment made by any federal, provincial or municipal authority; (ii) necessary for financial reporting purposes; and (iii) pertaining to the results of exploration work filed as assessment work.

ARTICLE 8 RECORDING OF THE AGREEMENT

- 8.1 The Claimholder consents to the placing of this Agreement on title as a Memorandum of Agreement.
- 8.2 Recording of this Agreement on title is at OEC's discretion.
- 8.3 The OEC will pay any associated costs of recording of the Agreement on the title.

ARTICLE 9 DISPUTE RESOLUTION

- 9.1 Except as otherwise expressly provided herein, any dispute, difference or question arising among the parties hereto concerning the construction, meaning, effect or implementation of this Agreement or any part hereof will be settled by a single arbitrator agreed on by all the parties. In the event the parties fail to agree upon a single arbitrator within thirty (30) days of the first written notice of such dispute being delivered by either party, each party shall appoint their own single arbitrator to sit on a panel of three arbitrators to hear and determine the dispute or question, and the two arbitrators so appointed shall, within twenty (20) days of their appointment, appoint a third arbitrator to act as the chair of the arbitration. The arbitration shall be carried out and governed pursuant to the *Arbitration Act, 1991* (Ontario) or any successor legislation thereto and shall include, but not be limited to, an award of costs against either party to the arbitration in accordance with section 54 of the said Act. The decision of such arbitrator(s) appointed pursuant to this Agreement or such Act will be final and binding on the parties and no appeal will lie therefrom.

ARTICLE 10
ASSIGNMENT OF CLAIMS

- 10.1 The Claimholder shall not assign, transfer, mortgage, pledge, hypothecate, lien, grant a security interest in, or otherwise dispose of any of its right, title and interest in and to the Claims unless:
- (i) The Claimholder shall have provided the OEC with prior written notice of such disposition;
 - (ii) the Claimholder shall have repaid any amounts due and owing to OEC pursuant to the terms of Article 6 of this Agreement;
 - (iii) the assignee or transferee of such Claims or shares (as the case may be) shall agree in writing to assume and be bound to all the obligations of the Claimholder pursuant to this Agreement and any other Agreement for which the Claimholder and the OEC are parties; and
 - (iv) the assignee or transferee shall have completed, and the OEC shall have approved, a Final Submission Form with respect to the Claims and the Work to be performed following the transfer or assignment.

ARTICLE 11
GENERAL PROVISIONS

- 11.1 This Agreement shall replace and supersede all previous agreements between the parties.
- 11.2 The parties agree that this Agreement shall be interpreted and governed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.
- 11.3 The addresses for any written notices hereunder shall be as set out as below:

Notice to the Claimholder shall be addressed to:

Name _____ Email: _____

Address: _____

Postal Code: _____ Telephone: _____ Fax: _____

Notice to the OEC shall be addressed to:

Ontario Exploration Corporation
1100 Memorial Avenue, Suite 364
Thunder Bay, ON P7B 4A3

- 11.4 Time shall be of the essence in this Agreement.

11.5 This Agreement is binding on the parties and their heirs, executors, administrators, legal representatives, successors and permitted assigns.

11.6 This Agreement is personal to the Claimholder and shall not be assigned, transferred or alienated by the Claimholder in any manner whatsoever without the prior written consent of the OEC.

IN WITNESS WHEREOF the parties have executed this Agreement as of the date hereinafter set out.

DATED at _____ this _____ day of _____, 200__.

Name

Witness

Signature

Signature

DATED at _____ this _____ day of _____, 200__.

Ontario Exploration Corporation

Per: _____

Per: _____

SCHEDULE II

Form of Certification of co-ownership of Claims

Ontario Exploration Corporation
1100 Memorial Avenue
Suite 364
Thunder Bay, Ontario
P7B 4A3

This letter is to certify that the undersigned holds _____% interest in claim(s):
_____ located in _____ Township,
mining division for which a claim(s) abstract is attached.

The undersigned further certifies that [name of applicant] holds _____% interests in
claim(s) _____ located in _____ Township, mining
division for which a (claim(s) abstract is attached.

The undersigned hereby consents to, and hereby irrevocably authorizes [name of applicant] to
apply for an OEC grant in the amount of \$_____ to perform exploration work on
claim(s) _____.

The undersigned hereby consents to, and does hereby grant, jointly and severally with [name of
applicant], a 1% Net Return Royalty in the claim(s) to OEC as provided in the Funding and
Royalty Agreement to be executed between [name of applicant] and OEC following the delivery
of this Certification and Consent.

Signed: _____

Witness: _____

Date: _____

Signed: _____

Witness: _____

Date: _____

SCHEDULE IV ROYALTIES

1. For all diamonds, gems and other precious and semi-precious stones (“**Stone Products**”) mined or produced from the Claims, the Claimholder shall pay to the OEC a Royalty equal to a percentage of the net sales returns (“**NSAR**”) realized from the sale or disposition of the Stone Products.
2. For all gold, silver, platinum and palladium (“**GSPP Products**”) and all other ores and minerals (“**Other Products**”) mined or produced from the Claims, the Claimholder shall pay to the OEC a Royalty equal to a percentage of the net smelter returns (“**NSMR**”) realized or deemed to be realized as hereinafter provided, from the sale or disposition of the GSPP Products and Other Products.
3. The aforementioned percentage of the NSAR and percentage of the NSMR shall be that determined in accordance with the provisions of Section 4.1 of the Agreement to which this forms a part; and in the calculation of the Royalty, such percentage is applied to 100% of the NSAR or NSMR, as the case may be, regardless of dilution of the Claimholder’s working interest or entitlement with respect to the Agreement, the Claims or the Products.
4. For the purposes of this Schedule, the term “**Products**” shall be interpreted as a collective reference to Stone Products, GSPP Products and Other Products and the term “**Royalty**” shall be interpreted as a collective reference to the NSAR Royalty and the NSMR Royalty.
5. Net Sales Returns Royalty – Stone Products
 - (a) Net sales returns means the gross proceeds from the sale or disposition of Stone Products to an independent purchaser, after deducting therefrom the cost of Valuation, Sorting, Shipping and Insurance in connection with the Stone Products as well as any sales, excise, production, export and other duties, levies, assessments and taxes (except income taxes) payable on the production or sale of Stone Products (but not income taxes), and for the purposes hereof:
 - (i) “**Valuation**” means the establishing of a value for each lot or group of sorted Stone Products for purposes of reference when negotiating with a potential purchaser of the same;
 - (ii) “**Sorting**” means separation of Stone Products from waste materials and dividing them into groups according to quality, size, or other characteristics, and then the division of such groups into appropriate lots or groups for valuing and/or sale, it being acknowledged that in the case of gem quality Stone Products, a group or lot may be a single stone;
 - (iii) “**Shipping**” means all methods of transportation or places of storage of Stone Products from the moment they leave the Claims until the passing of title thereto or risks therefor (whichever is the later) to an independent

purchaser, including, without limitation, any cost that may be incurred by reason of such methods or places used or any sorting or valuation facilities being situated off the Claims; and

iv“**Insurance**” means all insurance that the Claimholder considers advisable to protect all or part of the Stone Products in the possession or control of the Claimholder (including, without limitation, during shipping) until the passing of title thereto or risks therefor (whichever is the later) and including, without limitation, the insurance or bonding of any person who does or may come into contact with any such Stone Products at any point during the operations of the Claimholder whether such person is an employee of the Claimholder or otherwise.

- (b) If Stone Products are sold to any entity with which the Claimholder does not deal at arm’s length, the Stone Products shall for the purposes hereof be deemed to have been sold at prices determined by an independent valuator chosen by the OEC.
- (c) The Claimholder shall not have the right to commingle Stone Products produced from the Claims with similar products produced from other properties.

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

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

- (i) When GSPP Products are shipped by the Claimholder from the Claims to an independent refinery, smelter or other unaffiliated purchaser; or
 - (ii) With respect to bullion produced by the Claimholder, the day the final, refined bullion has been produced by the Claimholder; or
 - (iii) With respect to dore produced by the Claimholder, three (3) business days after the dore has been produced by the Claimholder; or
 - (iv) With respect to concentrates produced by the Claimholder, thirty (30) days after those concentrates have been produced by the Claimholder.
- (c) The total deemed gross proceeds of all such deemed sales occurring within a single calendar quarter shall be determined by multiplying the total number of troy ounces of the particular GSPP Product deemed sold within that quarter by the following:
- (i) For gold, platinum or palladium, the arithmetic mean of the daily London P.M. fixing (per ounce of the respective Product) for the quarter.
 - (ii) For silver, the arithmetic mean of the weekly Handy & Harman base price per troy ounce as quoted in Metals Week for the weeks which conclude within that quarter, but in the event Metals Week is not published or if for any other reason such quotation is not available, the arithmetic mean of the daily Handy & Harman base quote as published in the Wall Street Journal for the quarter will be utilized.
- (d) If smelting, refining, treatment, assay or sampling of GSPP Products or Other Products is performed by facilities owned or controlled by the Claimholder or any of its affiliates, all charges, costs and penalties therefor to be deducted pursuant to the foregoing paragraph shall be equal to and not exceed actual costs incurred by the Claimholder in carrying out such processes and shall not exceed such amounts which the Claimholder would have incurred if such operations were conducted at facilities operating at arm's length to the Claimholder, and which were then offering comparable services for comparable quantities and quality of GSPP Products or Other Products.
- (e) The Claimholder shall have the right to commingle GSPP Products or Other Products produced from the Lands with ores and minerals produced from other properties. Before commingling, GSPP Products or Other Products from the Claims shall be weighed, sampled, assayed, measured or gauged by the Claimholder in accordance with sound mining and metallurgical practices for moisture, penalty substances and payable content. Records shall be kept by the Claimholder for a reasonable time showing weights, moisture and assays of payable content. Prior to commingling, the Claimholder shall give thirty (30) days' notice to the OEC specifying its decision to commingle and outlining the procedures it proposes to follow.

7. General

- (a) Royalties shall accrue at the time of sale or deemed sale, as applicable, and they shall become due and payable in cash on a calendar quarter basis, on the twentieth (20th) day of the month next following the calendar quarter in which they accrue.
- (b) At the time of making each Royalty payment to the OEC, the Claimholder shall provide the OEC with a certificate of a senior officer of the Claimholder certifying as to the accuracy of the calculations of the Royalty payment and setting out the method of the calculation thereof to which shall be attached a true copy of the related smelter or sales receipt or receipts.
- (c) Net sales returns and net smelter returns upon the respective Products shall be calculated exclusively as provided herein, and the Royalty computed thereon shall be determined without regard to any “hedging”, “forward”, “futures” or comparable sales (collectively referred to as “**future trading**”) of such Products by or on behalf of the Claimholder. The OEC shall not be entitled to any benefit of or be subject to any loss attributable to such future trading by the Claimholder.
- (d) The Claimholder shall cause to be kept proper books of account, records and supporting materials covering all matters relevant to the calculation of Royalties payable to the OEC, and the reasonable verification thereof; and the OEC shall have, from time to time, the unfettered right, during regular business hours and on reasonable notice, to carry out at its sole cost and expense an audit by established independent professionals chosen by the OEC, of the methodology and manner of calculating all Royalty payments hereunder and the Claimholder shall provide, during regular business hours and on reasonable notice, unrestricted access to its books, accounts, records, vouchers, smelter settlements, sales receipts and related documentation for this purpose. Should there be any difference in the amount of the Royalty payment or payments which are ultimately determined by the process described in Article 9 of the Agreement to be in the OEC’s favour, which exceed three (3%) percent of the amount of the Royalty paid to the OEC, then the cost of said audit, to the extent reasonable, shall be reimbursed to the OEC by the Claimholder.
- (e) Any dispute relating to the quantum or methodology of calculating all Royalties payable hereunder shall be settled by arbitration pursuant to the provisions of Article 9 of the Agreement.

SCHEDULE V ROYALTY BUYBACK

Three quarters (3/4) of the 1.0 % Royalty can be partially purchased by the Claimholder for a dollar value that increases over time.

Until the second anniversary of the Effective Date of this Agreement, the buy-back price for ¾% of the royalty is \$15,000

Until the third anniversary of the Effective Date of this Agreement, the buy-back price for ¾% of the royalty is \$40,000

Until the fourth anniversary of the Effective Date of this Agreement, the buy-back price for ¾% of the royalty is \$70,000

Until the fifth anniversary of the Effective Date of this Agreement, the buy-back price for ¾% of the royalty is \$120,000

Until the sixth anniversary of the Effective Date of this Agreement, the buy-back price for ¾% of the royalty is \$220,000

Until the seventh anniversary of the Effective Date of this Agreement, the buy-back price for ¾% of the royalty is \$300,000

Until the eighth anniversary of the Effective Date of this Agreement, the buy-back price for ¾% of the royalty is \$375,000

Until the ninth anniversary of the Effective Date of this Agreement, the buy-back price for ¾% of the royalty is \$460,000

Until the tenth anniversary of the Effective Date of this Agreement, the buy-back price for ¾% of the royalty is \$600,000

From the eleventh anniversary of the Effective Date of this Agreement onwards, the buy-back price for ¾% of the royalty is \$750,000

The consideration to be paid by the Claimholder to purchase the Royalty may be in the form of cash or, at the option of the OEC, treasury shares of a listed company, subject to applicable securities laws and regulatory approvals.

Portions of the 1% Royalty may be purchased at any amount at the discretion of the OEC.

PHASE I FUNDING AND ROYALTY AGREEMENT

THIS AGREEMENT made

B E T W E E N:

NAME: _____
ADDRESS: _____

(Hereinafter referred to as the “**Claimholder**”)

OF THE FIRST PART

AND

ONTARIO EXPLORATION CORPORATION
1100 Memorial Avenue, Suite 364
Thunder Bay, ON P7B 4A3

(Hereinafter referred to as the “**OEC**”)

OF THE SECOND PART

RECITALS:

WHEREAS the Claimholder has agreed to sell to the OEC and the OEC has agreed to purchase from the Claimholder a 1.0 % Royalty interest in the Claims (as hereinafter defined), upon the terms described herein;

NOW THEREFORE THIS AGREEMENT WITNESSETH THAT in consideration of the mutual covenants and agreements herein contained and for other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged), the parties hereto agree with each other as follows:

ARTICLE 1 INTERPRETATION OF AGREEMENT

1.1 Definitions

The following terms shall have the meaning ascribed to them below unless there is something in the context inconsistent therewith:

- (a) “**Agreement**” means this Royalty agreement, including all of the Schedules hereto, and all amendments made hereto in accordance with the provisions hereof.
- (b) “**Application Date**” means the date of the submission of the Application for Funding to OEC by the Claimholder, as more particularly set out in the Application for Funding attached hereto as Schedule “T”.

- (c) “**Assessment Credit Approval Letter**” means that letter issued by the Ministry of Northern Development of Mines approving expenditures submitted as assessment work.
- (d) “**Claims**” means those claims located in Ontario and which are listed in Schedule III hereto.
- (e) “**Effective Date**” means the date upon which this Agreement is executed by OEC as hereinafter set out.
- (f) “**Anniversary Date**” means the date one year from the Effective date of the Agreement
- (g) “**Final Submission Form**” means the Ontario Exploration Corporation Assistance Program final submission form.
- (h) “**Memorandum of Agreement**” means an instrument summarizing this agreement for the purpose of recording on title a beneficial interest in the Claims.
- (i) “**Net Sales Return Royalty**” means the net sales return royalty as defined in Schedule IV attached hereto.
- (j) “**Net Smelter Return Royalty**” means the net smelter return royalty as defined in Schedule IV attached hereto.
- (k) “**Royalty**” means either the Net Sales Return Royalty and/or the Net Smelter Return Royalty.
- (l) “**Technical Report**” means any report filed for assessment work on the Claims.

1.2 The division of this Agreement into sections, clauses, paragraphs and the insertion of headings are for the convenience of reference only and shall not affect the construction or interpretation of this Agreement.

1.3 The words “herein”, “hereto” and “hereinafter” and other words of similar import refer to this Agreement as a whole and not to any particular section, paragraph, or other subdivision of this Agreement.

1.4 Any reference to currency is to Canadian currency and any amount advanced, paid or calculated is to be advanced, paid or calculated in Canadian currency.

1.5 Any reference to a statute is to such statute and to the regulation made pursuant to the laws of the Province of Ontario or Canada, as may be amended or modified from time to time.

1.6 Persons are not dealing “**at arm’s length**” with one another for the purpose of this Agreement if they would not be dealing at arm’s length with one another for the purposes of the *Income Tax Act* (Canada).

- 1.7 Words importing the masculine gender include the feminine or neuter gender and words in the singular include the plural, and vice versa.
- 1.8 All references to Schedules refer to Schedules of this Agreement, which are part of and form an integral part of this Agreement.

The Schedules of this Agreement are:

Schedule I: Application for Funding

Schedule II: Declaration of Co-Owner

Schedule III: Claims

Schedule IV: Royalties

Schedule V: Royalty Buy-Back

Schedule VI: Final Submission Form (to be completed following execution of this Agreement)

ARTICLE 2

TERM

- 2.1 This Agreement shall be effective as and from the Effective Date and shall continue in full force and effect up to and including the day upon which the Claims either lapse or expire and shall be applicable to any Claims restaked by order of any relevant governmental authority and to all successor mineral lease claims, permits or rights of any nature whatsoever.
- 2.2 The Claimholder shall take all such necessary steps and action to ensure the Claims are subsisting and shall continue to subsist and shall not do or omit to do any act which shall cause the Claims to lapse or expire (except in the ordinary course), or be cancelled, forfeited or revert to the Crown.
- 2.3 Notwithstanding the termination or expiry of this Agreement either upon the expiry or lapse of the Claims or otherwise, the obligations of the Claimholder pursuant to Articles 5 and 6 herein shall survive such termination or expiry and shall continue to be binding upon the Claimholder.

ARTICLE 3

REPRESENTATIONS AND WARRANTIES OF THE CLAIMHOLDER

The Claimholder hereby represents and warrants that:

- 3.1 The Claimholder is a legal and beneficial owner of the Claims, which Claims are free and clear of any undeclared liens, hypothecs, charges, mortgages, encumbrances, claims or royalties;
- 3.2 The Claims have been properly staked and recorded and are in good standing under all applicable laws and regulations and there is no dispute in respect of the Claims;
- 3.3 The Claims are in conformity with all laws, regulations, orders, policies and requirements including, without restricting the generality of the foregoing, all environmental laws, regulations, orders, policies and requirements.
- 3.4 The Claimholder has the right to enter into this Agreement and the performance of the Claimholder's obligations hereunder shall not be in breach of, or in conflict with any agreements or undertakings between the Claimholder and any governmental authority in Canada or any other party;
- 3.5 The Claimholder has no knowledge of any claim, pending claim or litigation as to the ownership of any of the Claims;
- 3.6 All information, statements and representations made in the Application for Funding attached hereto by the Claimholder are true and correct at the time made, and are true and correct as at the Effective Date and the date of execution of this Agreement, save and except for as previously disclosed to OEC by the Claimholder in writing.
- 3.7 The Claimholder acknowledges that no person, other than the Claimholder, holds any undeclared right, title, interest or royalty interest in the Claims except those persons disclosed pursuant to Section 3.8 herein.
- 3.8 The Claimholder has provided all documentation of any right, title, interest or royalty interest in the Claims held by other parties, together with the Application for Funding to the OEC, which documentation accurately reflects all interests in and to the Claims as of the Application Date.
- 3.9 The Claimholder has provided to the OEC executed copies of the Declaration of Co-Owner in the form set out in Schedule II hereto with respect to all parties that hold any interest, right or title in and for the Claims as of the Application Date and the Effective Date.
- 3.10 Since the Application Date, there has been no legal or beneficial change in or to the rights and interests of any parties to the Claims which have not been previously disclosed to the OEC and no change to the legal or beneficiary rights or interests in and to the Claims shall be made without the Claimholder providing at least five (5) days' prior written notice to the OEC.
- 3.11 The Claimholder has no knowledge of any fact pertaining to the Claims or of any work carried out in respect of the Claims that may in any way breach any laws, regulations, orders, policies and requirements of government authorities affecting the claims, including any environmental laws, regulations and requirements;

- 3.12 The Claimholder acknowledges that these representations and warranties are conditions on which the OEC has relied on to enter into this Agreement and that such representations and warranties will survive the execution of this Agreement.

ARTICLE 4 REPRESENTATIONS AND WARRANTIES OF THE OEC

The OEC hereby represents and warrants that, as of the Effective Date of this Agreement:

- 4.1 It has been duly incorporated, organized and is a validly subsisting corporation under applicable laws and regulations;
- 4.2 It has accomplished all necessary corporate acts and proceedings in order to authorize the execution of this Agreement;
- 4.3 It has the right to enter into and to execute this Agreement;
- 4.4 The execution of this Agreement does not breach its articles or its by-laws.

ARTICLE 5 CONSIDERATION

- 5.1 The Claimholder hereby grants to the OEC an exclusive and irrevocable interest of a one percent (1.0%) Royalty in the Claims on the following basis:
- (a) On the execution date the OEC hereby agrees to pay the Claimholder \$10,000 by cash or cheque for a 1.0% Royalty in the Claims.
 - (b) The OEC hereby agrees to pay the Claimholder \$5,000 by cash or cheque on approval by the OEC of the Final Submission Form and the Technical Report (in such form as the OEC shall require from time to time) and delivery by the Claimholder of an Assessment Credit Approval Letter.
 - (c) Notwithstanding the foregoing and despite the provisions in Sections 6.1, 6.2, 6.3, and 6.4 hereof, if the Claimholder does not use his best efforts to deliver the Final Submission form, Technical Report or Assessment Credit Approval letter by 5:00 p.m. (Toronto Time) on the Final Submission Date, the OEC shall be deemed to have paid the amounts in subsections 5.1(a) and 5.1(b) hereof and the OEC shall be entitled to keep the 1.0% Royalty.
- 5.2 The Royalty granted herein by the Claimholder shall entitle OEC to receive payment equal to one percent (1.0 %) of either the Net Sales Returns Royalty or the Net Smelter Returns Royalty from mineral substances extracted from the Claims, as defined in Schedule III attached hereto, such payments to be made by the Claimholder on a quarterly basis in arrears or as otherwise agreed upon by the parties. The Claimholder shall have the right to purchase up to and including three-quarters (3/4) of such Royalty, at any time, as set forth in Schedule V.

ARTICLE 6
RIGHTS AND OBLIGATIONS OF THE CLAIMHOLDER

- 6.1 While this Agreement is in force, the Claimholder shall have the exclusive right of access to the Claims and to explore for minerals on the Claims and shall have sole and absolute discretion as to the work carried out on the Claims. Notwithstanding the foregoing, the Claimholder shall carry out the work as set out and specified in the Application for Funding and/or the Final Submission Form.
- 6.2 In the event the Claimholder does not, for any reason whatsoever, submit a Final Submission Form that is approved by OEC in its sole and absolute discretion, a Technical Report or an Assessment Credit Approval Letter to the OEC on or before Final Submission Date, the Claimholder shall within fifteen (15) days of receipt of a written demand for repayment by the OEC, return all such advances or payments made to or on behalf of the Claimholder by the OEC to the OEC by cash, certified cheque or bank draft.
- 6.3 In the event the Claimholder does not, for any reason whatsoever, complete the work as set out in the Application for Funding, the Claimholder shall, within fifteen (15) days of receipt of a written demand for repayment by the OEC, return all such advances or payments made to or on behalf of the Claimholder by the OEC to the OEC by cash, certified cheque or bank draft.
- 6.4 The Claimholder shall not alter, amend, or change the nature, scope or extent of the work as set out in the Application for Funding (hereinafter sometimes referred to as the “Work”) in any manner whatsoever without the prior written consent of the OEC. In the event the Claimholder has made any alterations, amendments or changes to the nature, scope or extent of the Work, without the prior consent of the OEC, the OEC shall be entitled, in its sole and absolute discretion, and upon written notice to the Claimholder, to demand the repayment of all advances or payments made to or on behalf of the Claimholder. The Claimholder shall repay all such advances or payments within fifteen (15) days of the receipt of the written demand for repayment by the OEC.
- 6.5 In the event the Claimholder wishes to alter, amend or change the nature, scope or extent of the Work, the Claimholder shall notify OEC in writing of such proposed alterations, amendments or changes at least thirty (30) days prior to the proposed commencement date of such alterations, amendments or changes to the Work. The consent of the OEC to any alterations, amendments or changes to the Work shall not be unreasonably withheld.
- 6.6 The Claimholder will be responsible and liable for any damage caused while carrying out or causing to be carried out work on the Claims and shall indemnify and hold the OEC harmless from any and all claims, actions, causes of action, demands, charges, expenses, loans, premiums, fines, penalties and costs (including all legal costs on a substantial indemnity scale) resulting from, or in any way related to, any activity carried out by or on behalf of the Claimholder on the Claims.
- 6.7 All valid assessment work carried out during the term of this agreement, in an amount equal to the amounts paid by OEC pursuant to subsections 5.01(a) and 5.01(b) hereof, shall be filed for assessment purposes on the Claims with the relevant regulatory authorities.
- 6.8 The Claimholder shall carry on the Work in a manner consistent with mining industry standards and all applicable laws, regulations, by-laws, ordinances, rules, and orders

made by any competent governmental authority, including, but not limited to, the maintenance of proper security measures.

- 6.9 The Claimholder shall ensure that all environmental reclamation and remediation work required to be done in connection with exploration or other activity carried out by the Claimholder on the Claims is completed in a timely manner at the Claimholder's expense in accordance with applicable law.

ARTICLE 7 RIGHTS AND OBLIGATIONS OF THE OEC

- 7.1 The OEC reserves its right of access, at its own risk, to the Claims to inspect the work carried out by or on behalf of the Claimholder, without however interfering with the Claimholder's work.
- 7.2 All information received by the OEC shall be kept confidential in accordance with the *Personal Information Protection and Electronic Documents Act*, and all other applicable privacy legislation, and shall not be released to any other party without the prior written consent of the Claimholder, save and except for any disclosure or release of information: (i) required pursuant to any law, regulation, order, bylaw or other legislative or administrative enactment made by any federal, provincial or municipal authority; (ii) necessary for financial reporting purposes; and (iii) pertaining to the results of exploration work filed as assessment work.

ARTICLE 8 RECORDING OF THE AGREEMENT

- 8.1 The Claimholder consents to the placing of this Agreement on title as a Memorandum of Agreement.
- 8.2 Recording of this Agreement on title is at OEC's discretion.
- 8.3 The OEC will pay any associated costs of recording of the Agreement on the title.

ARTICLE 9 DISPUTE RESOLUTION

- 9.1 Except as otherwise expressly provided herein, any dispute, difference or question arising among the parties hereto concerning the construction, meaning, effect or implementation of this Agreement or any part hereof will be settled by a single arbitrator agreed on by all the parties. In the event the parties fail to agree upon a single arbitrator within thirty (30) days of the first written notice of such dispute being delivered by either party, each party shall appoint their own single arbitrator to sit on a panel of three arbitrators to hear and determine the dispute or question, and the two arbitrators so appointed shall, within twenty (20) days of their appointment, appoint a third arbitrator to act as the chair of the arbitration. The arbitration shall be carried out and governed pursuant to the *Arbitration Act, 1991* (Ontario) or any successor legislation thereto and shall include, but not be limited to, an award of costs against either party to the arbitration in accordance with section 54 of the said Act. The decision of such arbitrator(s) appointed pursuant to this Agreement or such Act will be final and binding on the parties and no appeal will lie therefrom.

ARTICLE 10
ASSIGNMENT OF CLAIMS

- 10.1 The Claimholder shall not assign, transfer, mortgage, pledge, hypothecate, lien, grant a security interest in, or otherwise dispose of any of its right, title and interest in and to the Claims unless:
- (i) The Claimholder shall have provided the OEC with prior written notice of such disposition;
 - (ii) the Claimholder shall have repaid any amounts due and owing to OEC pursuant to the terms of Article 6 of this Agreement;
 - (iii) the assignee or transferee of such Claims or shares (as the case may be) shall agree in writing to assume and be bound to all the obligations of the Claimholder pursuant to this Agreement and any other Agreement for which the Claimholder and the OEC are parties; and
 - (iv) the assignee or transferee shall have completed, and the OEC shall have approved, a Final Submission Form with respect to the Claims and the Work to be performed following the transfer or assignment.

ARTICLE 11
GENERAL PROVISIONS

- 11.1 This Agreement shall replace and supersede all previous agreements between the parties.
- 11.2 The parties agree that this Agreement shall be interpreted and governed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.
- 11.3 The addresses for any written notices hereunder shall be as set out as below:

Notice to the Claimholder shall be addressed to:

Name _____ Email: _____

Address: _____

Postal Code: _____ Telephone: _____ Fax: _____

Notice to the OEC shall be addressed to:

Ontario Exploration Corporation
1100 Memorial Avenue, Suite 364
Thunder Bay, ON P7B 4A3

- 11.4 Time shall be of the essence in this Agreement.

11.5 This Agreement is binding on the parties and their heirs, executors, administrators, legal representatives, successors and permitted assigns.

11.6 This Agreement is personal to the Claimholder and shall not be assigned, transferred or alienated by the Claimholder in any manner whatsoever without the prior written consent of the OEC.

IN WITNESS WHEREOF the parties have executed this Agreement as of the date hereinafter set out.

DATED at _____ this _____ day of _____, 200__.

Name

Witness

Signature

Signature

DATED at _____ this _____ day of _____, 200__.

Ontario Exploration Corporation

Per: _____

Per: _____

SCHEDULE II

Form of Certification of co-ownership of Claims

Ontario Exploration Corporation
1100 Memorial Avenue
Suite 364
Thunder Bay, Ontario
P7B 4A3

This letter is to certify that the undersigned holds _____% interest in claim(s):
_____ located in _____ Township,
mining division for which a claim(s) abstract is attached.

The undersigned further certifies that [name of applicant] holds _____% interests in
claim(s) _____ located in _____ Township, mining
division for which a (claim(s) abstract is attached.

The undersigned hereby consents to, and hereby irrevocably authorizes [name of applicant] to
apply for an OEC grant in the amount of \$_____ to perform exploration work on
claim(s) _____.

The undersigned hereby consents to, and does hereby grant, jointly and severally with [name of
applicant], a 1% Net Return Royalty in the claim(s) to OEC as provided in the Funding and
Royalty Agreement to be executed between [name of applicant] and OEC following the delivery
of this Certification and Consent.

Signed: _____

Witness: _____

Date: _____

Signed: _____

Witness: _____

Date: _____

SCHEDULE IV ROYALTIES

1. For all diamonds, gems and other precious and semi-precious stones (“**Stone Products**”) mined or produced from the Claims, the Claimholder shall pay to the OEC a Royalty equal to a percentage of the net sales returns (“**NSAR**”) realized from the sale or disposition of the Stone Products.
2. For all gold, silver, platinum and palladium (“**GSPP Products**”) and all other ores and minerals (“**Other Products**”) mined or produced from the Claims, the Claimholder shall pay to the OEC a Royalty equal to a percentage of the net smelter returns (“**NSMR**”) realized or deemed to be realized as hereinafter provided, from the sale or disposition of the GSPP Products and Other Products.
3. The aforementioned percentage of the NSAR and percentage of the NSMR shall be that determined in accordance with the provisions of Section 4.1 of the Agreement to which this forms a part; and in the calculation of the Royalty, such percentage is applied to 100% of the NSAR or NSMR, as the case may be, regardless of dilution of the Claimholder’s working interest or entitlement with respect to the Agreement, the Claims or the Products.
4. For the purposes of this Schedule, the term “**Products**” shall be interpreted as a collective reference to Stone Products, GSPP Products and Other Products and the term “**Royalty**” shall be interpreted as a collective reference to the NSAR Royalty and the NSMR Royalty.
5. Net Sales Returns Royalty – Stone Products
 - (a) Net sales returns means the gross proceeds from the sale or disposition of Stone Products to an independent purchaser, after deducting therefrom the cost of Valuation, Sorting, Shipping and Insurance in connection with the Stone Products as well as any sales, excise, production, export and other duties, levies, assessments and taxes (except income taxes) payable on the production or sale of Stone Products (but not income taxes), and for the purposes hereof:
 - (i) “**Valuation**” means the establishing of a value for each lot or group of sorted Stone Products for purposes of reference when negotiating with a potential purchaser of the same;
 - (ii) “**Sorting**” means separation of Stone Products from waste materials and dividing them into groups according to quality, size, or other characteristics, and then the division of such groups into appropriate lots or groups for valuing and/or sale, it being acknowledged that in the case of gem quality Stone Products, a group or lot may be a single stone;
 - (iii) “**Shipping**” means all methods of transportation or places of storage of Stone Products from the moment they leave the Claims until the passing of title thereto or risks therefor (whichever is the later) to an independent

purchaser, including, without limitation, any cost that may be incurred by reason of such methods or places used or any sorting or valuation facilities being situated off the Claims; and

iv“**Insurance**” means all insurance that the Claimholder considers advisable to protect all or part of the Stone Products in the possession or control of the Claimholder (including, without limitation, during shipping) until the passing of title thereto or risks therefor (whichever is the later) and including, without limitation, the insurance or bonding of any person who does or may come into contact with any such Stone Products at any point during the operations of the Claimholder whether such person is an employee of the Claimholder or otherwise.

- (b) If Stone Products are sold to any entity with which the Claimholder does not deal at arm’s length, the Stone Products shall for the purposes hereof be deemed to have been sold at prices determined by an independent valuator chosen by the OEC.
- (c) The Claimholder shall not have the right to commingle Stone Products produced from the Claims with similar products produced from other properties.

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

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

- (i) When GSPP Products are shipped by the Claimholder from the Claims to an independent refinery, smelter or other unaffiliated purchaser; or
 - (ii) With respect to bullion produced by the Claimholder, the day the final, refined bullion has been produced by the Claimholder; or
 - (iii) With respect to dore produced by the Claimholder, three (3) business days after the dore has been produced by the Claimholder; or
 - (iv) With respect to concentrates produced by the Claimholder, thirty (30) days after those concentrates have been produced by the Claimholder.
- (c) The total deemed gross proceeds of all such deemed sales occurring within a single calendar quarter shall be determined by multiplying the total number of troy ounces of the particular GSPP Product deemed sold within that quarter by the following:
- (i) For gold, platinum or palladium, the arithmetic mean of the daily London P.M. fixing (per ounce of the respective Product) for the quarter.
 - (ii) For silver, the arithmetic mean of the weekly Handy & Harman base price per troy ounce as quoted in Metals Week for the weeks which conclude within that quarter, but in the event Metals Week is not published or if for any other reason such quotation is not available, the arithmetic mean of the daily Handy & Harman base quote as published in the Wall Street Journal for the quarter will be utilized.
- (d) If smelting, refining, treatment, assay or sampling of GSPP Products or Other Products is performed by facilities owned or controlled by the Claimholder or any of its affiliates, all charges, costs and penalties therefor to be deducted pursuant to the foregoing paragraph shall be equal to and not exceed actual costs incurred by the Claimholder in carrying out such processes and shall not exceed such amounts which the Claimholder would have incurred if such operations were conducted at facilities operating at arm's length to the Claimholder, and which were then offering comparable services for comparable quantities and quality of GSPP Products or Other Products.
- (e) The Claimholder shall have the right to commingle GSPP Products or Other Products produced from the Lands with ores and minerals produced from other properties. Before commingling, GSPP Products or Other Products from the Claims shall be weighed, sampled, assayed, measured or gauged by the Claimholder in accordance with sound mining and metallurgical practices for moisture, penalty substances and payable content. Records shall be kept by the Claimholder for a reasonable time showing weights, moisture and assays of payable content. Prior to commingling, the Claimholder shall give thirty (30) days' notice to the OEC specifying its decision to commingle and outlining the procedures it proposes to follow.

7. General

- (a) Royalties shall accrue at the time of sale or deemed sale, as applicable, and they shall become due and payable in cash on a calendar quarter basis, on the twentieth (20th) day of the month next following the calendar quarter in which they accrue.
- (b) At the time of making each Royalty payment to the OEC, the Claimholder shall provide the OEC with a certificate of a senior officer of the Claimholder certifying as to the accuracy of the calculations of the Royalty payment and setting out the method of the calculation thereof to which shall be attached a true copy of the related smelter or sales receipt or receipts.
- (c) Net sales returns and net smelter returns upon the respective Products shall be calculated exclusively as provided herein, and the Royalty computed thereon shall be determined without regard to any “hedging”, “forward”, “futures” or comparable sales (collectively referred to as “**future trading**”) of such Products by or on behalf of the Claimholder. The OEC shall not be entitled to any benefit of or be subject to any loss attributable to such future trading by the Claimholder.
- (d) The Claimholder shall cause to be kept proper books of account, records and supporting materials covering all matters relevant to the calculation of Royalties payable to the OEC, and the reasonable verification thereof; and the OEC shall have, from time to time, the unfettered right, during regular business hours and on reasonable notice, to carry out at its sole cost and expense an audit by established independent professionals chosen by the OEC, of the methodology and manner of calculating all Royalty payments hereunder and the Claimholder shall provide, during regular business hours and on reasonable notice, unrestricted access to its books, accounts, records, vouchers, smelter settlements, sales receipts and related documentation for this purpose. Should there be any difference in the amount of the Royalty payment or payments which are ultimately determined by the process described in Article 9 of the Agreement to be in the OEC’s favour, which exceed three (3%) percent of the amount of the Royalty paid to the OEC, then the cost of said audit, to the extent reasonable, shall be reimbursed to the OEC by the Claimholder.
- (e) Any dispute relating to the quantum or methodology of calculating all Royalties payable hereunder shall be settled by arbitration pursuant to the provisions of Article 9 of the Agreement.

SCHEDULE V ROYALTY BUYBACK

Three quarters (3/4) of the 1.0 % Royalty can be partially purchased by the Claimholder for a dollar value that increases over time.

Until the second anniversary of the Effective Date of this Agreement, the buy-back price for ¾% of the royalty is \$15,000

Until the third anniversary of the Effective Date of this Agreement, the buy-back price for ¾% of the royalty is \$40,000

Until the fourth anniversary of the Effective Date of this Agreement, the buy-back price for ¾% of the royalty is \$70,000

Until the fifth anniversary of the Effective Date of this Agreement, the buy-back price for ¾% of the royalty is \$120,000

Until the sixth anniversary of the Effective Date of this Agreement, the buy-back price for ¾% of the royalty is \$220,000

Until the seventh anniversary of the Effective Date of this Agreement, the buy-back price for ¾% of the royalty is \$300,000

Until the eighth anniversary of the Effective Date of this Agreement, the buy-back price for ¾% of the royalty is \$375,000

Until the ninth anniversary of the Effective Date of this Agreement, the buy-back price for ¾% of the royalty is \$460,000

Until the tenth anniversary of the Effective Date of this Agreement, the buy-back price for ¾% of the royalty is \$600,000

From the eleventh anniversary of the Effective Date of this Agreement onwards, the buy-back price for ¾% of the royalty is \$750,000

The consideration to be paid by the Claimholder to purchase the Royalty may be in the form of cash or, at the option of the OEC, treasury shares of a listed company, subject to applicable securities laws and regulatory approvals.

Portions of the 1% Royalty may be purchased at any amount at the discretion of the OEC.