

**MOUNT SKINNER PROPERTY, BRITISH COLUMBIA**

**PROPERTY OPTION AGREEMENT**

Dated May 16, 1994

Between:

OTTARASKO MINES LTD.

and

CHENI GOLD MINES INC.

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SCHEDULE "A": The Property  
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**MOUNT SKINNER PROPERTY**  
**PROPERTY OPTION AGREEMENT**

THIS AGREEMENT is made as of the 16th day of May, 1994,

BETWEEN:

**OTTARASKO MINES LTD.**, a federal Canadian company and  
having a registered office at Suite 1040, 999 West Hastings Street,  
Vancouver, British Columbia, V6C 2W2

(hereinafter referred to as the "Optionor")

OF THE FIRST PART,

AND:

**CHENI GOLD MINES INC.**, a federal Canadian company and  
having an office at Suite 200, 580 Hornby Street, Vancouver,  
British Columbia, V6C 3B6

(hereinafter referred to as the "Optionee")

OF THE SECOND PART.

**RECITALS**

WHEREAS the Optionor is the beneficial owner of a 100% interest in certain mineral claims situated in the Clinton Mining Division, British Columbia, more particularly described in Schedule "A" attached hereto and made a part hereof (hereinafter collectively called the "Property");

AND WHEREAS the Optionor has agreed to grant to the Optionee an option to purchase a 100% interest in and to the Property;

NOW THEREFORE THIS AGREEMENT WITNESSETH that in consideration of the mutual covenants and agreements herein contained and subject to the terms and conditions hereafter set out, the parties hereto agree as follows:

## 1. GRANT OF OPTION

1.01 The Optionor hereby grants to the Optionee the exclusive right and option (the "**Option**") to acquire a 100% interest in and to the Property by paying to the Optionor the sum of \$50,000 cash, delivering to the Optionor 1,200 troy ounces of gold (or the cash equivalent thereof) and by issuing and delivering to the Optionor up to 250,000 common shares in the capital of the Optionee to be respectively paid and issued to the Optionor as follows:

- (a) the sum of \$25,000 to be paid to the Optionor upon the execution and delivery of this agreement (the receipt of which by the Optionor is hereby acknowledged);
- (b) 50,000 common shares in the capital of the Optionee ("**Shares**") to be issued and delivered to the Optionor within five business days following the date of acceptance (the "**Effective Date**") of notice of this agreement for filing by The Toronto Stock Exchange (the "**TSE**") and, for purposes of this agreement, the term "business day" shall mean a day other than a Saturday, Sunday or any other day that is a legal holiday in Vancouver, British Columbia;
- (c) an additional \$25,000 to be paid to the Optionor on the earlier of:
  - (i) the first day on which the Optionee receives proceeds from production from the Property; and
  - (ii) September 30, 1994;
- (d) 200 troy ounces of gold to be delivered to the Optionor on or before December 31, 1994, in accordance with paragraph 1.04 hereof;
- (e) an additional 50,000 Shares to be issued and delivered to the Optionor on or before May 15, 1995 if, by that date, the Optionor has not received all of the "Production Proceeds" ;
- (f) an aggregate of 600 troy ounces of gold to be delivered to the Optionor on or before May 15, 1996, in accordance with paragraph 1.04 hereof;

- (g) an additional 50,000 Shares to be issued and delivered to the Optionor on or before May 15, 1996 if, by that date, the Optionor has not received all of the "Production Proceeds";
- (h) an additional 50,000 Shares to be issued and delivered to the Optionor on or before May 15, 1997 if, by that date, the Optionor has not received all of the "Production Proceeds"; and
- (i) an additional 50,000 Shares to be issued and delivered to the Optionor on or before May 15, 1998 if, by that date, the Optionor has not received all of the "Production Proceeds".

1.02 If the Optionor has not received the shares set out in subparagraph 1.01(b) hereof by the close of business on July 31, 1994, this agreement shall thereupon automatically terminate and the Optionor shall retain for its own use and benefit, as liquidated damages, all cash payments received by it pursuant to paragraph 1.01 hereof.

1.03 The number of Shares to be issued to the Optionee hereunder shall be adjusted proportionately in the event of any subdivision, consolidation, amalgamation, reclassification or other capital reorganization of the Optionee occurring after the date of this agreement.

1.04 The Optionor shall receive 22.5% (the "**Optionor's Share**") of all refined gold recovered from the Optionee's operations on the Property until such time as the Optionor has received a total of 1,200 troy ounces of refined gold of 0.995 minimum fineness from such operations (the "**Production Proceeds**"). The Optionor's Share shall be paid to the Optionor not later than the end of the calendar month next following the calendar month in which the Optionee receives credit for the refined gold recovered from its operations on the Property. The Optionor may elect to receive all or part of the Production Proceeds in cash by giving notice to the Optionee on or before the end of the calendar month with respect to which the payment relates. In the event of the loss of any product during transportation from the Property, an equitable cash payment shall be made to the Optionor based upon the weight of the refined gold that would have been recovered if such loss had not occurred. If the Optionor gives such notice, the cash equivalent (in United States or Canadian dollars, as elected by the Optionor) will be based upon

the average of the final quotation for gold of 0.995 minimum fineness on the London Metal Exchange for each business day during the applicable month.

1.05 The Optionor understands, acknowledges and agrees that:

- (a) the Shares issued pursuant to this agreement have not and will not be qualified for distribution under the Securities Act (British Columbia) or qualified for distribution or registered under any other applicable securities laws, regulations or policies and that the issue of such Shares will be completed in reliance upon exemptions from such qualification or registration;
- (b) unrestricted resale of the Shares in British Columbia will generally not be available for a period of 12 months from the date of issue of such Shares;
- (c) the TSE and any other securities regulatory authority having jurisdiction may impose requirements upon the issue of such Shares, including requirements for undertaking, or for pooling or escrow of such Shares and the Optionor covenants and agrees with the Optionee to execute and deliver all such reports, questionnaires, undertakings and other instruments in writing and enter into such agreements, as are, in the opinion of legal counsel to the Optionee, reasonably necessary to comply with such requirements; and
- (d) the certificates representing the Shares issued pursuant to this agreement may bear a legend, in such form as may be required by applicable securities laws, regulations or policies, evidencing resale restrictions.

## 2. OPTION ONLY

2.01 This agreement represents an option only, and after the Optionee has paid to the Optionor the sum of \$50,000 provided for in subparagraphs 1.01(a) and 1.01(c), and has issued and delivered the 50,000 shares provided for in subparagraph 1.01(b) hereof, the Optionee shall be under no further obligation to the Optionor other than as set out in paragraphs 9.04, 9.05 and

9.06 hereof. Any further performance hereunder by the Optionee is expressly at the election of the Optionee.

### 3. EXERCISE OF OPTION--ROYALTY INTEREST

3.01 When the Optionee has:

- (a) paid to the Optionor the sum of \$50,000 pursuant to subparagraphs 1.01(a) and 1.01(c) hereof;
- (b) delivered to the Optionor the Production Proceeds in accordance with subparagraphs 1.01(d) and 1.01(f) and paragraph 1.04 hereof; and
- (c) issued and delivered to the Optionor 50,000 Shares, and such additional Shares as are required to be issued and delivered to the Optionor pursuant to subparagraphs 1.01(e), 1.01(g), 1.01(h) and 1.01(i) hereof;

and provided the Optionee is not otherwise in default hereunder, the Optionee may, within 60 days following the last of such events to occur, and in any event on or before May 15, 1999, exercise the Option by issuing and delivering to the Optionor an additional 50,000 Shares. Failure to elect to exercise the Option shall result in the automatic termination of this agreement, and the Optionor shall be entitled to retain, as liquidated damages, all Shares and payments received up to that time.

3.02 Following the production from the Property with respect to which the Production Proceeds is payable, the Optionor shall be entitled to receive 3% of "Net Smelter Returns" (as defined and paid in accordance with Schedule "B" hereto).

3.03 In the event that the Optionee has not, within 60 months following the exercise of the Option, placed the Property into commercial production at the rate of 6,000 troy ounces of gold during any consecutive 12-month period during such period of 60 months, the Optionee shall convey to the Optionor the Optionee's entire right, title and interest in and to the Property, this agreement shall terminate subject to the provisions of paragraphs 9.04, 9.05 and 9.06 hereof, and the Optionor shall be entitled to retain, as liquidated damages, all Shares, cash and refined

gold delivered to it hereunder. For the purposes of this agreement the term "commercial production" means the operation of the Property or any portion thereof as a producing mine and the production of minerals (as the term "mineral" is defined in the Mineral Tenure Act (British Columbia)) for the purpose of earning revenues.

#### **4. TRANSFER OF TITLE**

4.01 Forthwith following the exercise of the Option, the Optionor shall deliver to the Optionee recordable Bills of Sale or other applicable conveyancing documentation sufficient to effect the transfer of a 100% interest in and to the Property to the Optionee.

4.02 The Parties acknowledge the right and privilege of the Optionor and the Optionee to file, register and/or to otherwise deposit a memorandum of this agreement in the appropriate recording office for the jurisdiction in which the Property is located and with any other governmental agencies to give third parties notice of this agreement, and hereby agree to do or cause to be done all acts or things reasonably necessary to effect such filing, registration or deposit.

#### **5. RIGHT OF ENTRY**

5.01 During the currency of this agreement the Optionee, its servants, agents and workmen and any persons duly authorized by the Optionee, shall, subject to subparagraph 8.01(g) hereof, have the exclusive right to enter upon and take possession of and prospect, explore, develop and mine the Property in such manner as the Optionee in its sole discretion may deem advisable.

#### **6. REPRESENTATIONS AND WARRANTIES OF THE OPTIONOR**

6.01 The Optionor hereby represents and warrants to the Optionee that:

- (a) it is a company in good standing under the laws of Canada and has full corporate power and authority to enter into this agreement;
- (b) it has full corporate power and authority to enter into this agreement and the entering into of this agreement does not conflict with any applicable laws or with

its charter documents nor does it conflict with, or result in a breach of, or accelerate the performance required by any contract or other commitment to which it is party or by which it is bound;

- (c) it is the sole beneficial owner of a 100% undivided interest in and to the Property;
- (d) the Property is in good standing under the laws of the jurisdiction in which the Property is located up to and including at least the respective expiry dates set forth in Schedule "A" hereto;
- (e) the Property is free and clear of all liens, charges and encumbrances and is not subject to any right, claim or interest of any other person;
- (f) it has substantially complied with all laws in effect in the jurisdiction in which the Property is located with respect to the Property and to the best of its knowledge such Property has been duly and properly located and recorded in substantial accordance with such laws and that the Optionee may enter in, under or upon the Property for all purposes of this agreement;
- (g) there is no adverse claim or challenge as to the validity of the mineral claims comprising the Property or against or to the ownership of or title to the Property, or any portion thereof nor is there any basis therefor and there are no outstanding agreements or options to acquire or purchase the Property or any portion thereof or interest therein and no person has any royalty or interest whatsoever in production or profits from the Property or any portion thereof;
- (h) the Property does not constitute the whole or substantially the whole of the Optionor's assets or undertaking;
- (i) all material exploration information and data, including without limitation geological, geophysical and geochemical information and data (including drill and assay results and copies of maps) concerning the Property of which it has knowledge has been disclosed and provided to the Optionee:

- (j) there are no actions, suits or proceedings pending or threatened against or adversely affecting, or which could adversely affect, the Property or before or by any federal, provincial, municipal or other government court, department, commission, board, bureau, agency or instrumentality, domestic or foreign, whether or not insured, and which might involve the possibility of any judgment or liability against the Property;
- (k) there are no environmental claims against the Property and the Property has been operated in substantial compliance with all environmental laws, rules, regulations and orders and all federal, provincial, municipal or other environmental requirements and the Optionor has not received notice of a breach of any such law, rule, regulation or order of any authority of competent jurisdiction; and
- (l) the Optionor has paid such amounts or deposited such security in respect of the work conducted to date on the Property as required by applicable laws, regulations, or policies of those governmental authorities having jurisdiction, and unless and until the Option is exercised, the Optionor shall be responsible for and shall bear the cost of all reclamation work required in connection with the work carried out by or on behalf of the Optionor to the date of this Agreement.

6.02 The representations and warranties hereinbefore set out are conditions upon which the Optionee has relied on entering into this agreement and shall survive the exercise of the Option by a period of 12 months. The Optionor hereby indemnifies and saves the Optionee harmless from all loss, damage, costs, actions and suits arising out of or in connection with any breach of any representation or warranty made by it and contained in this agreement; provided that for such indemnity to be effective, the Optionor must receive notice of any claim hereunder within the 12-month period set out above.

## **7. REPRESENTATIONS AND WARRANTIES OF THE OPTIONEE**

7.01 The Optionee represents and warrants to each of the Optionor that:

- (a) it has full corporate power and authority to enter into this agreement and the entering into of this agreement does not conflict with any applicable laws or with its charter documents nor does it conflict with, or result in a breach of, or accelerate the performance required by any contract or other commitment to which it is party or by which it is bound;
- (b) it is eligible to acquire and hold mineral claims in the jurisdiction in which the Property is situated;
- (c) it is a company in good standing under the laws of Canada;
- (d) its common shares are listed on the TSE;
- (e) it is not in breach of its listing agreement with the TSE;
- (f) it is a reporting issuer not in default pursuant to the Securities Act (British Columbia) and the Ontario Securities Act; and
- (g) the common shares to be issued hereunder to the Optionor shall be fully-paid and non-assessable shares in the capital of the Optionee, not subject to any escrow or pooling restrictions other than those referred to in paragraph 1.05 hereof.

7.02 The representations and warranties hereinbefore set out are conditions upon which the Optionor has relied on entering into this agreement and shall survive the exercise of the Option, and the Optionee hereby indemnifies and saves the Optionor harmless from all loss, damage, costs, actions and suits arising out of or in connection with any breach of any representation or warranty made by it and contained in this agreement.

## **8. COVENANTS OF THE OPTIONEE**

8.01 The Optionee covenants and agrees with the Optionor that during the currency of this agreement:

- (a) the Optionee shall carry out and record or cause to be carried out and recorded all such assessment work upon the Property as may be required in order to maintain

the Property in good standing at all times: notwithstanding the foregoing, the Optionee shall record all eligible expenditures as assessment credits up to the maximum amount permitted under the applicable law or policy, shall file all assessment credits not less than 30 days prior to the expiry date or anniversary date of any mineral claim in respect of which the assessment credits are being filed and shall provide the Optionor with a copy of the filing within 48 hours of it being filed;

- (b) the Optionee shall keep the Property clear of liens and all other charges arising from its operations thereon;
- (c) the Optionee shall carry on all operations on the Property in a good and miner-like manner and in compliance with all applicable governmental regulations and restrictions;
- (d) the Optionee shall pay or cause to be paid any rates, taxes, duties, royalties, assessments or fees levied with respect to the Property or the Optionee's operations thereon;
- (e) the Optionee shall, upon termination of this agreement, leave the Property in a safe and environmentally acceptable condition in accordance with good miner-like practice and all applicable requirements of law;
- (f) the Optionee shall indemnify the Optionor and save it harmless from any and all liabilities, costs, damages or charges arising from the failure of the Optionee to comply with the covenants contained in this article or otherwise arising from its operations on the Property;
- (g) the Optionee shall allow the Optionor or any duly authorized agent or representative of the Optionor to inspect the Property at all times and intervals; PROVIDED HOWEVER that it is agreed and understood that the Optionor or any such agent or representative shall be at his own risk and the Optionee shall not be liable for any loss, damage or injury incurred by such persons arising from their

inspection of the Property, except those caused by the gross negligence or willful misconduct of the Optionee, its agents, employees and directors;

- (h) the Optionee shall allow the Optionor access at all times to all maps, reports, assay results and other technical data prepared or obtained by the Optionee in connection with its operations on the Property;
- (i) the Optionee shall, during times when technical data are being produced, provide the Optionor with a quarterly summary progress report describing the work carried out by the Optionee on or with respect to the Property, and which shall include copies of all technical data generated, together with location maps, sampling plans and other information sufficient to enable the reader to interpret the said data; such quarterly reports shall be delivered to the Optionor within 10 days of the end of each calendar quarter;
- (j) the Optionee shall provide the Optionor on or before January 31 of each year with a comprehensive progress report, in writing, with respect to its operations on the Property during the preceding calendar year and shall provide the Optionor with copies of any and all documents filed by the Optionee to record assessment work on the Property;
- (k) the Optionee shall retain and store permanently on the Property all drill core obtained from drilling operations conducted by the Optionee on the Property, including split core remaining from core that has been assayed;
- (l) the Optionee will obtain and maintain or cause any contractor engaged by it hereunder to obtain and maintain, during any period in which active work is carried out hereunder, not less than the following:
  - (i) employer's liability insurance covering each employee engaged in the operations hereunder to the extent of \$1,000,000 where such employee is not covered by Worker's Compensation;

- (ii) comprehensive general liability insurance in such forms as may be customarily carried by a prudent operator for similar operations with a bodily injury, death and property damage limit of \$5,000,000 inclusive;
- (iii) as and when reasonably necessary, aircraft liability insurance covering all aircraft, owned and non-owned, operated and/or licensed by the Optionee, with a bodily injury, death and property damage limit of \$5,000,000 inclusive;

and will forward to the Optionor the Optionee's or the Optionee's contractor's certificate of insurance for such amounts showing the Optionor as a named insured, and will give the Optionor advance written notice of any reduction or termination of such coverage;

- (m) it shall use its best efforts to obtain TSE acceptance of notice of this agreement as quickly as possible; and
- (n) it will not voluntarily surrender the listing of its common shares on the TSE during the period from the date of this agreement to that date which is 24 months following the delivery to the Optionor of the last of the Shares to be issued to the Optionor hereunder, for so long during such period as the Optionor is the beneficial owner of such shares unless:
  - (i) the Optionee, at the same time, obtains a listing of its common shares on another stock exchange located in North America; or
  - (ii) in the absence of such a listing, the Optionee or any other person designated by the Optionee offers to purchase from the Optionor the Shares then owned by the Optionor for a price which is the higher of \$0.50 per share or the weighted average trading price of the Optionee's shares on the TSE during the ten trading days prior to the de-listing.

## 9. **TERMINATION**

9.01 This agreement shall terminate upon the Optionee, not being at the time in default under any provision of this agreement, giving 60 days notice to the Optionor of termination.

9.02 This agreement shall terminate by delivery of notice to the Optionee upon the failure of the Optionor to receive any one of the cash payments, deliveries of gold or Share issuances to be received by the Optionor pursuant to paragraph 1.01 hereof on or before five business days following the last date for such payment or delivery set out therein, or in the circumstances set out in paragraphs 3.01 or 3.03 hereof.

9.03 If the Optionee fails to perform any covenant made by it hereunder, the Optionor may terminate this agreement but only if:

- (a) it shall first have given to the Optionee a notice of the default containing particulars of the covenant which the Optionee has not fulfilled; and
- (b) the Optionee has not, within 30 days following delivery of such notice of default, cured such default or commenced proceedings to cure such default by appropriate performance (the Optionee hereby agreeing that should it so commence to cure any default it will prosecute the same to completion without undue delay.)

Should the Optionee fail to comply with the provisions of this sub-paragraph 9.03(b), the Optionor may thereafter terminate this agreement by notice to the Optionee.

9.04 Upon termination of this agreement the Optionee shall:

- (a) have completed and recorded sufficient assessment work on the Property to maintain the Property in good standing for a period of at least two years from the date of termination;
- (b) subject to the provisions of paragraph 9.07 hereof, have satisfied all applicable laws, regulations and policies relating to reclamation of the Property and shall leave the Property in a safe and environmentally acceptable condition; and

- (c) turn over to the Optionor originals of all maps, reports, assay results and other data and documentation in its possession in connection with its operations on the Property.

9.05 Upon the termination of this agreement, the Optionee forfeits any and all interest in the Property hereunder and shall cease to be liable to the Optionor in debt, damages or otherwise save for the performance of those of its obligations in existence on the date of termination.

9.06 Upon termination of this agreement, the Optionee shall vacate the Property within a reasonable time after such termination, but shall have the right of access to the Property for a period of six months thereafter, upon giving the Optionor prior written notice and at the Optionee's sole risk, for the purpose of removing its chattels, machinery, equipment and fixtures therefrom, and for the purpose of fulfilling its obligations pursuant to subparagraph 9.04(b) hereof. None of the Optionee's chattels, machinery, equipment, fixtures and supplies shall be left on the Property except with the express prior written consent of the Optionor.

9.07 If this agreement terminates prior to the receipt by the Optionor of the Production Proceeds, the obligations of the Optionee set out in subparagraph 9.04(b) hereof shall be suspended for up to twelve months to permit the Optionor to enter the underground workings for the purpose of conducting its own extractive operations.

## **10. INDEPENDENT ACTIVITIES**

10.01 Except as expressly provided herein, each party shall have the free and unrestricted right to independently engage in and receive the full benefit of any and all business endeavours of any sort whatsoever, whether or not competitive with the endeavours contemplated herein without consulting the other or inviting or allowing the other to participate therein. No party shall be under any fiduciary or other duty to the other which will prevent it from engaging in or enjoying the benefits of competing endeavours within the general scope of the endeavours contemplated herein. The legal doctrines of "corporate opportunity" sometimes applied to persons engaged in a joint venture or having fiduciary status shall not apply in the case

of any party. In particular, without limiting the foregoing, no party shall have an obligation to any other party as to:

- (a) any opportunity to acquire, explore and develop any mining property, interest or right presently owned by it or offered to it outside of the Property at any time; and
- (b) the erection of any mining plant, mill, smelter or refinery, whether or not such mining plant, mill, smelter or refinery treats ores or concentrates from the Property.

## **11. CONFIDENTIALITY OF INFORMATION**

11.01 The parties hereto shall, subject to the exceptions set out hereinafter, treat all data, reports, records and other information relating to this agreement and the Property as confidential. While this agreement is in effect, no party hereto shall, without the express written consent of the other, disclose to any third party any information concerning the results of the operations hereunder nor issue any press releases concerning this agreement or its exploration operations except where such disclosure is mandatory under the law or is deemed necessary by the disclosing party's counsel for the satisfaction by the disclosing party of its obligations to applicable securities regulatory bodies, and the disclosing party has, prior to the public disclosure, given the non-disclosing parties a draft copy of the disclosure.

## **12. ASSIGNMENT**

12.01 Any party may at any time dispose of all or any part of its interest in the Property and in this agreement to any third party (the "Assignee") provided that the Assignee shall, prior to and as a condition precedent to such disposition, deliver to the non-assigning party its covenant with and to the non-assigning party that:

- (a) to the extent of the disposition, the Assignee agrees to be bound by the terms and conditions of this agreement as if it had been an original party hereto; and
- (b) it will subject any further disposition of the interest acquired to the restrictions contained in this paragraph;

and further provided that, subject to the provisions of paragraph 12.02 hereof, the non-assigning party must give its prior written consent to the assignment, such consent not to be unreasonably withheld.

12.02 Notwithstanding the provisions of paragraph 12.01 hereof, no consent of the Optionor shall be required in the event of a transfer by the Optionee of all or part of its interest in the Property and this agreement to an "affiliate" (as hereinafter defined) if, in addition to the satisfaction of the conditions precedent set out in sub-paragraphs 12.01(a) and 12.01(b) hereof, the transfer also be subject to the condition that on the consummation of any such transfer, the Optionor shall be entitled to receive and shall receive, in proportion to the interest transferred to the affiliate, instead of the Shares, the kind and amount of shares or other securities and property that it would receive if it were a holder of shares of the Optionee immediately preceding the consummation of such transfer. For the purposes of this paragraph 12.02, "affiliate" means any corporation that has substantially the same shareholders as the Optionee at the time of such transfer and the shares of which are listed for trading on a stock exchange in North America at the time of the transfer by the Optionee to such corporation of its interest in the Property and in this agreement or, if such shares are not then listed, such shares are listed within 90 days of the date of such transfer.

### **13. UNAVOIDABLE DELAYS**

13.01 If any party should be delayed in or prevented from performing any of the terms, covenants or conditions of this agreement (but expressly excluding payment of cash or issuance of Shares to the Optionor under paragraph 1.01) by reason of a cause (excluding lack of funds) beyond the control of such party, including fires, floods, earthquakes, subsidence, ground collapse or landslides, interruptions or delays in transportation or power supplies, strikes, lockouts, wars and acts of God, including but without restricting the generality of the foregoing, forest or highway closures or any other cause beyond such party's control, then any such failure on the part of such party to so perform shall not be deemed to be a breach of this agreement and the time within which such party is obliged to comply with any such term, covenant or condition of this agreement shall be extended by the total period of all such delays. In order that the provisions of this article may become operative, such party shall give notice in writing to the

other party, forthwith and for each new cause of delay or prevention and shall set out in such notice particulars of the cause thereof and the day upon which the same arose, and shall give like notice forthwith following the date that such cause ceased to subsist.

#### 14. **ARBITRATION**

14.01 If there is any disagreement, dispute or controversy (hereinafter collectively called a "**Dispute**") between the parties with respect to any matter arising under this agreement or the construction hereof, then the Dispute shall be determined by arbitration in accordance with the following procedures:

- (a) the parties to the Dispute shall appoint a single mutually acceptable arbitrator. If the parties cannot agree upon a single arbitrator, then the party on the side of the Dispute shall name an arbitrator, and give notice thereof to the party on the other side of the Dispute;
- (b) the party on the other side of the Dispute shall within 14 days of the receipt of notice, name an arbitrator; and
- (c) the two arbitrators so named shall, within seven days of the naming of the later of them, name a third arbitrator.

If the party on either side of the Dispute shall fail to name its arbitrator within the allotted time, then the arbitrator named may make a determination of the Dispute. Except as expressly provided in this paragraph, the arbitration shall be conducted in accordance with the Commercial Arbitration Act (British Columbia) and the arbitration shall be held in Vancouver, British Columbia, Canada. The decision of the arbitrator or the majority of the arbitrators shall be made within 30 days following the naming of the latest of them and shall be conclusive and binding upon the parties. The costs of arbitration shall be borne equally by the parties to the dispute unless otherwise determined by the arbitrator(s) in the award.

15. **NOTICES**

15.01 Any notice, election, consent or other writing required or permitted to be given hereunder shall be deemed to be sufficiently given if delivered or if mailed by registered air mail or by telegram or fax, addressed as follows:

In the case of the Optionor:

Ottarasko Mines Ltd.  
P.O. Box 41  
Tatla Lake, B.C.  
V0L 1V0

Attention: President

with a copy to:

SCOTT, BISSETT  
Barristers & Solicitors  
1040 - 999 West Hastings Street  
Vancouver, B.C.  
V6C 2W2

Attention: Graham H. Scott

In the case of the Optionee:

Cheni Gold Mines Inc.  
Suite 200, 580 Hornby Street  
Vancouver, B.C.  
V6C 3B6

Attention: President

and any such notice given as aforesaid shall be deemed to have been given to the parties hereto if delivered, when delivered, or if mailed, on the tenth business day following the date of mailing, or, if telegraphed or faxed, on the next succeeding day following the telegraphing or faxing thereof PROVIDED HOWEVER that during the period of any postal interruption in either the country of mailing or the country of delivery, any notice given hereunder by mail shall be

deemed to have been given only as of the date of actual delivery of the same. Any party may from time to time by notice in writing change its address for the purpose of this paragraph.

**16. GENERAL TERMS AND CONDITIONS**

16.01 The parties hereto hereby covenant and agree that they will execute such further agreements, conveyances and assurances as may be requisite, or which counsel for the parties may deem necessary to effectually carry out the intent of this agreement.

16.02 This agreement shall represent the entire understanding between the parties with respect to the Property. No representations or inducements have been made save as herein set forth. No changes, alterations, or modifications of this agreement shall be binding upon either party until and unless a memorandum in writing to such effect shall have been signed by all parties hereto.

16.03 The titles to the articles to this agreement shall not be deemed to form part of this agreement but shall be regarded as having been used for convenience of reference only.

16.04 The schedules to this agreement shall be construed with and as an integral part of this agreement to the same extent as if they were set forth verbatim herein.

16.05 All reference to dollar amounts contained in this agreement are references to Canadian funds.

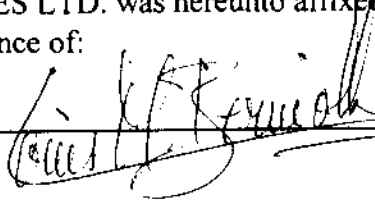
16.06 This agreement shall be governed by and interpreted in accordance with the laws in effect in British Columbia, and the parties hereto attorn to the courts of British Columbia for the resolution of any disputes arising out of this agreement.

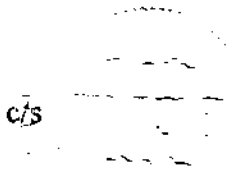
16.07 This agreement shall enure to the benefit of and be binding upon the parties hereto and their respective successors and assigns.

16.08 Time shall be of the essence of this agreement.

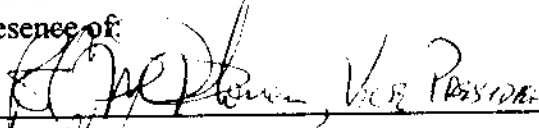
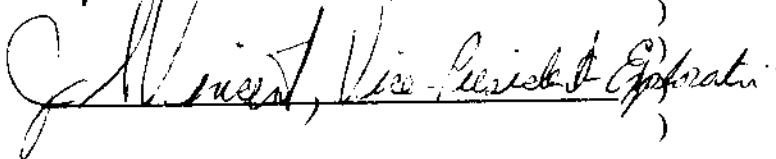
IN WITNESS WHEREOF this agreement has been executed by the parties hereto  
as of the day and year first above written.

The COMMON SEAL of OTTARASKO  
MINES LTD. was hereunto affixed in the  
presence of:

  
\_\_\_\_\_  
\_\_\_\_\_

c/s  


The COMMON SEAL of CHENI GOLD  
MINES INC. was hereunto affixed in the  
presence of:

  
\_\_\_\_\_  
  
\_\_\_\_\_

c/s

This is page 20 of that certain agreement dated May 16, 1994, between Ottarasko Mines Ltd. of  
the first part and Cheni Gold Mines Inc., of the second part.

## SCHEDULE "A"

TO THAT CERTAIN AGREEMENT MADE AS OF THE 16th  
DAY OF MAY, 1994, BETWEEN OTTARASKO MINES LTD.  
OF THE FIRST PART AND CHENI GOLD MINES INC. OF  
THE SECOND PART

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### THE "PROPERTY"

MINING DIVISION: Clinton, British Columbia  
AREA: Tatlayoko Lake  
N.T.S. 92 N / 9 W

| <u>Claim Name</u> | <u>Record Number</u> | <u>Units</u> | <u>Expiry Date</u> |
|-------------------|----------------------|--------------|--------------------|
| SK1               | 209053               | 1            | May 27, 2001       |
| SK2               | 209085               | 1            | June 20, 2001      |
| SK3               | 209086               | 1            | June 20, 2001      |
| SK6               | 209136               | 1            | July 15, 2001      |
| SK7               | 209137               | 1            | July 15, 2001      |
| SKINNER 1         | 209204               | 18           | October 6, 1995    |
| SKINNER 2         | 209205               | 20           | October 9, 1995    |
| SKINNER 3         | 209206               | 1            | October 14, 2003   |
| SKINNER 4         | 209207               | 12           | October 15, 1995   |
| SKINNER 5         | 209334               | 20           | February 6, 1996   |

## SCHEDULE "B"

TO THAT CERTAIN AGREEMENT (THE "AGREEMENT")  
MADE AS OF THE 16th DAY OF MAY, 1994, BETWEEN  
OTTARASKO MINES LTD. (THE "OWNER") OF THE FIRST  
PART AND CHENI GOLD MINES INC. (THE "PAYOR") OF  
THE SECOND PART

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### "NET SMELTER RETURNS"

1. In this Schedule:

- (a) "**Average Value**" for any Mineral for any period means the arithmetic average of the Mineral Price for that Mineral for that period;
- (b) "**Business Day**" means any day on which the London Metal Exchange is open for the sale and trading of commodities;
- (c) "**Mineral**" means an ore, metal, mineral, tailing, concentrate or other products mined, produced and removed from the Property and credited to the account of the Payor by the smelter, refiner or other bona fide purchaser;
- (d) "**Mineral Price**" means, for any Mineral on any Business Day, the final quotation for that Mineral on that Business Day on the London Metal Exchange (such quotation being sometimes referred to as the "**Second London Fixing**" or the "**Final London Quote**"), as published in Metals Week, the Wall Street Journal or other publication of comparable accuracy and reliability. If trading on the London Metal Exchange is discontinued or interrupted, the Payor shall utilize a comparable commodity quotation, reasonably acceptable to the Owner, for the purpose of calculating Net Smelter Returns. Where the Mineral is gold, the Mineral Price shall be that for a troy ounce of gold of 0.995 minimum fineness;
- (e) "**Net Smelter Returns**" means, for any period, the Average Value of all Minerals that are irrevocably and unconditionally sold by the Payor or credited to the account of the Payor during the subject period, less the following:
  - (i) all transportation costs incurred in connection with the transportation of Minerals from the Payor to the smelter, refiner or other bona fide purchaser; and
  - (ii) all charges, costs and penalties, if any, for the smelting or refining of the subject Minerals.

2. Payment of Net Smelter Returns by the Payor to the Owner shall be made quarterly within 30 days after the end of each fiscal quarter of the Payor and shall be accompanied by unaudited financial statements pertaining to the operations carried out by the Payor on the Property. Within 60 days after the end of each fiscal year of the Payor in which Net Smelter Returns are payable to the Owner, the records relating to the calculation of Net Smelter Returns for such year shall be audited and any resulting adjustments in the payment of Net Smelter Returns payable to the Owner shall be made forthwith, together with interest at the prime rate plus two percent per annum, calculated from the date when such payment should have been made. A copy of the said audit shall be delivered to the Owner within 30 days of the end of such 60-day period.

3. Each annual audit shall be final and not subject to adjustment unless the Owner delivers to the Payor written exceptions in reasonable detail within 12 months after the Owner receives the report. The Owner, or its representative duly authorized in writing, at its expense, shall have the right to audit the books and records of the Payor related to Net Smelter Returns to determine the accuracy of the report, but shall not have access to any other books and records of the Payor. The audit shall be conducted by a chartered or certified public accountant of recognized standing. The Payor shall have the right to condition access to its books and records on execution of a written agreement by the auditor that all information will be held in confidence and used solely for purposes of audit and resolution of any disputes related to the report. A copy of the Owner's report shall be delivered to the Payor upon completion, and any discrepancy between the amount actually paid by the Payor and the amount which should have been paid according to the Owner's report shall be paid forthwith, one party to the other. In the event that the said discrepancy is to the detriment of the Owner and exceeds 5% of the amount actually paid by the Payor, then the Payor shall pay the entire cost of the audit.

4. Any dispute arising out of or related to any report, payment, calculation or audit shall be resolved solely by arbitration as provided in the Agreement. No error in accounting or in interpretation of the Agreement shall be the basis for a claim of breach of fiduciary duty, or the like, or give rise to a claim for exemplary or punitive damages or for termination or rescission of the Agreement or the estate and rights acquired and held by the Payor under the terms of the Agreement.

5. If the Payor transports, smelts or refines Minerals in or through facilities owned or controlled by the Payor, then the costs and charges for such operations shall be deemed to mean the amount that the Payor would have incurred if such operations were carried in or through facilities not owned or controlled by the Payor then offering comparable services for comparable Minerals.

Dated:

May 16, 1994

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BETWEEN:

OTTARASKO MINES LTD.

OF THE FIRST PART

AND:

CHENI GOLD MINES INC.

OF THE SECOND PART

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**MOUNT SKINNER PROPERTY, BRITISH COLUMBIA  
PROPERTY OPTION AGREEMENT**

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**SCOTT, BISSETT**  
Barristers & Solicitors  
1040 - 999 West Hastings Street  
Vancouver, B.C.  
V6C 2W2

Ph: (604) 683-1102  
Fax: (604) 683-2643

GHS/nh