

**OTTARASKO MINES LTD.**  
P.O. Box 41, Tatla Lake, B.C.  
V0L 1V0

December 27, 1990

Northair Mines Limited  
860, 625 Howe Street  
Vancouver, B.C.  
V6C 2T6

Attention: D.A. McLeod, President

Dear Mr. McLeod,

This letter will confirm in writing the agreement made between us today.

1. Ottarasko Mines Ltd. ("**Ottarasko**") has represented to Northair as follows:
  - (a) it is the beneficial owner of a 100% interest in and to 11 located mineral claims situated in the Clinton Mining Division, B.C. (collectively referred to herein as the "**Property**" and set out more particularly in Schedule "A" hereto);
  - (b) the Property comprises four 2 post claims and one mineral claim (collectively the "**Nut Claims**") and six additional claims (the "**Surrounding Claims**"), all as more particularly set out in Schedule "A" hereto;
  - (c) to the best of its knowledge and belief, the mineral claims comprising the Property have been validly located and are now duly recorded and in good standing substantially in accordance with the laws in effect in British Columbia.
2. Ottarasko hereby grants to Northair the sole and exclusive option (the "**Option**") to acquire an undivided 50% interest in and to the Property as follows:
  - (a) upon the execution and delivery of this agreement, Northair shall pay Ottarasko the sum of \$10,000;
  - (b) Northair shall issue to Ottarasko 25,000 common shares of Northair on or before January 31, 1991;

- (c) Northair shall incur "Exploration Expenditures" (as hereinafter defined) on the Nut Claims of not less than \$50,000 on or before December 1, 1991;
- (d) Northair shall advance to Ottarasko on or before each of February 28, 1991 and June 30, 1991, the sum of \$25,000, to be applied by Ottarasko as set out in paragraph 8 hereof;
- (e) Northair shall pay to Ottarasko the additional sum of \$15,000 on or before December 1, 1991;
- (f) Northair shall issue to Ottarasko an additional 25,000 common shares of Northair on or before December 1, 1991;
- (g) Northair shall incur cumulative Exploration Expenditures on the Nut Claims of not less than \$150,000 on or before December 1, 1992;
- (h) Northair shall advance to Ottarasko, on or before each of February 28, 1992 and June 30, 1992, the sum of \$25,000, to be applied by Ottarasko as set out in paragraph 8 hereof;
- (i) Northair shall issue to Ottarasko an additional 50,000 common shares of Northair on or before December 1, 1992;
- (j) Northair shall pay to Ottarasko the additional sum of \$20,000 on or before December 1, 1992;
- (k) Northair shall incur cumulative Exploration Expenditures on the Nut Claims of not less than \$2 million on or before December 1, 1995.

Upon Northair having carried out all of the acts set out in subparagraphs 1(a) to 1(k) inclusive, at a time when it is not in default under this agreement, Northair shall have exercised the Option and become fully vested in an undivided 50% interest in and to the Property.

3. Northair shall forthwith give notice to Ottarasko of the exercise of the Option, and Ottarasko shall elect, within 60 days of the receipt of the notice to either:

- (a) join with Northair in a joint operation for the development and production of the Property pursuant to a joint venture agreement which includes the terms and conditions set out in paragraph 11 hereof; or
- (b) convey to Northair Ottarasko's undivided 50% interest in and to the Property in consideration of the right to receive 5% of "Net Smelter Returns" and the "Advance Royalty" (as hereinafter defined).

4. In this agreement, "**Exploration Expenditures**" means all costs and expenses incurred by Northair on and in connection with the exploration of the Nut Claims, and may include a charge of no more than 10% of all other said costs and expenses to reimburse Northair for its overhead expenses which cannot be specifically allocated.

5. This agreement represents an option only, and after Northair has performed pursuant to subparagraphs 2(a), 2(b), 2(c) and 2(d), it shall be under no further obligation to Ottarasko under this agreement and any further performance hereunder by Northair shall be exclusively at Northair's election.

6. During the currency of the Option, Northair with respect to the Nut Claims, and Ottarasko with respect to the Surrounding Claims, shall have the sole and exclusive possession thereof, subject to Northair's right of access to the Nut Claims across the Surrounding Claims, and further subject to the right of the other party to inspect, at its sole risk and expense, the operations thereon. During the currency of the Option, Northair shall not extract any minerals from the Nut Claims for the purpose of earning revenues. Any revenues received by Northair from minerals extracted from the Nut Claims for testing or assaying during the currency of the Option shall be apportioned and delivered to Northair and Ottarasko, each as to 50%.

7. Each party shall keep the other party informed of all material results obtained with respect to the Nut Claims and the Surrounding Claims, as the case may be, and shall submit to the other in a timely manner a comprehensive annual report with respect to its operations thereon.

8. The \$100,000 advanced by Northair to Ottarasko pursuant to subparagraphs 1(d) and 1(h) hereof shall be used by Ottarasko on a program of location of additional mineral claims, prospecting, grid establishment, geochemical sampling, trenching, blasting, rock sampling and other exploration work (collectively "**Ottarasko's Program**") within the "**Area of Interest**" (as defined in Schedule "A" hereto). Ottarasko agrees with Northair that Ottarasko will use its best efforts to ensure that at least 75% of the expenditures incurred in connection with Ottarasko's Program shall constitute Canadian exploration expense (as defined in section 66.1(6)(a)(iii) of The Income Tax Act (Canada)). Ottarasko shall submit to Northair not less than 15 days prior to the commencement of Ottarasko's Program a summary of the work to be carried out pursuant thereto, and Northair shall have the opportunity to make comments on Ottarasko's Program. In the event of any disagreement however concerning Ottarasko's Program, Ottarasko's decision shall govern. All such funds advanced to Ottarasko and spent pursuant to Ottarasko's Program shall be for Ottarasko's sole use and benefit and are not subject to repayment by Ottarasko. Following the expenditure of the aforesaid \$100,000 until the Option is exercised or otherwise terminates, exploration work on the Surrounding Claims shall be carried out only by Ottarasko and shall be a program of work accepted by both Ottarasko and Northair and funded by each of them as to 50%.

9. If Ottarasko makes the election pursuant to subparagraph 3(b) hereof, Northair shall pay to Ottarasko the sum of \$50,000 per year (the "Advance Royalty") until the commencement of commercial production from the Property. The Advance Royalty shall be paid on or before December 1 of each year, commencing on the December 1 next following Ottarasko's election. Northair shall be entitled to recoup the cumulative Advance Royalties from the Net Smelter Returns otherwise payable to Ottarasko.

10. In this agreement, "Net Smelter Returns" means the actual proceeds received by Northair from any mint, smelter or other purchaser for the sale of bullion or concentrates produced from the Property and sold, after deducting from such proceeds the following charges to the extent that they are not deducted by the purchaser in computing payment:

- (a) in the case of the sale of bullion, refining charges only;
- (b) in the case of concentrates, smelting and refining charges, penalties and the cost of transportation of such concentrates from the Property to any purchaser.

11. If Ottarasko makes the election set out in subparagraph 3(a) hereof, there shall be two joint ventures established. One joint venture (the "Nut Joint Venture") shall be for the Nut Claims and for any part of the Surrounding Claims which are reasonably required for the efficient and economical commercial operation of the orebody situated on the Nut Claims; the second joint venture (the "Regional Joint Venture") shall be for the Surrounding Claims less those claims, if any, which are subject to the Nut Joint Venture. The Nut Joint Venture and the Regional Joint Venture shall be conducted pursuant to separate joint venture agreements which shall include the following provisions:

- (a) Northair shall be the operator of the Nut Joint Venture;
- (b) Ottarasko shall be the operator of the Regional Joint Venture;
- (c) at the commencement of the joint venture, Northair and Ottarasko shall each have a 50% property interest and shall each be deemed to have expended exploration costs of \$1 million;
- (d) joint venture expenditures shall be funded by each party in proportion to its property interest;
- (e) operations shall be directed and controlled by a management committee in which each party has a vote in proportion to its property interest; in the event of a tied vote, the operator's representative shall have the final and deciding vote;
- (f) in respect of the Nut Joint Venture:

- (i) Northair shall advance Ottarasko's proportionate share of costs on Ottarasko's behalf (such advances being referred to hereinafter as "Ottarasko Exploration Expenditures") until Northair, on the basis of an independent feasibility study, determines (the "Production Decision") and publicly announces that it intends to place the subject property into commercial production;
  - (ii) Northair shall promptly give notice to Ottarasko of the making of the Production Decision together with a copy of the feasibility study upon which the Production Decision was based, and Ottarasko shall, within 90 days of the receipt of such notice, elect to either:
    - (A) contribute 50% of all costs incurred by the joint venture subsequent to the making of the Production Decision; or
    - (B) convey to Northair an undivided 10% interest in the subject property and require Northair to advance Ottarasko's 40% share of costs on Ottarasko's behalf (such advances being referred to hereinafter as "Ottarasko Production Expenditures") and Ottarasko's property interest shall be unchanged;
  - (iii) upon the commencement of commercial production, Northair shall thereafter be entitled to first recoup the aggregate of the Ottarasko Production Expenditures from 100% of Ottarasko's proportionate share of the proceeds of production, and following such recoupment, shall be entitled to recoup the aggregate of the Ottarasko Exploration Expenditures from 40% of Ottarasko's proportionate share of the proceeds of production; PROVIDED THAT at all times following the commencement of commercial production until Northair has recouped both the Ottarasko Production Expenditures and the Ottarasko Exploration Expenditures Northair shall pay to Ottarasko a minimum of \$50,000 per calendar year.
- (g) in respect of the Regional Joint Venture:
- (i) if a party elects not to contribute to the costs of any program, its property interest shall be reduced on a proportionate basis so that its property interest at any time shall be:

$$\frac{\text{the non-contributing party's aggregate deemed and actual expenditures}}{\text{the deemed and actual expenditures of all parties}} \times 100\%$$

- (ii) if, by the operation of clause 11(g)(i), a party's property interest is reduced below 10%, its interest shall convert to the right to receive 10% of net profits.

12. Either party may assign all or any part of its interest in and to this agreement upon the satisfaction of the following conditions precedent:

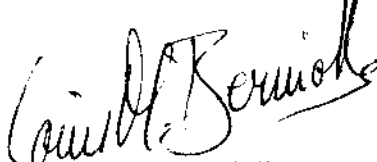
- (a) the assignee shall have delivered to the non-assigning party its covenant to be bound by the terms and conditions of this agreement as if it had been an original party hereto; and
- (b) the non-assigning party shall have given its written consent to the assignment, such consent not to be unreasonably withheld.

13. Northair may terminate this agreement at any time after it has fulfilled its obligations pursuant to subparagraphs 2(a), 2(b), 2(c) and 2(d) by giving Ottarasko not less than 30 days notice of termination; provided that no such termination shall relieve Northair of any obligations in existence on the effective date of termination.

14. Both parties will use their best efforts to enter into a formal agreement embodying all of the terms and conditions of the letter agreement, to be prepared by Ottarasko, on or before January 21, 1991.

If the foregoing accurately reflects our agreement, kindly indicate this by signing a duplicate copy of this letter, and returning it to us, whereupon this will form a binding agreement between us, enforceable in accordance with its terms.

Yours truly,  
OTTARASKO MINES LTD.

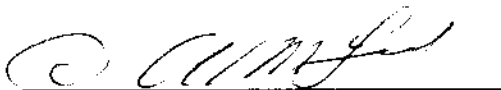


Louis M. Berniolles

Accepted and agreed to as of the 27th day of December, 1990.

NORTHAIR MINES LIMITED

Per:



D.A. McLeod

## SCHEDULE "A"

### THE PROPERTY

Mining Division: Clinton, B.C.

N.T.S.:

1. THE "NUT CLAIMS"

<u>Claim Name</u>	<u>Record No.</u>	<u>Anniversary Date</u>	<u>Units</u>
SK1	3292	May 27	1
SK2	3324	June 20	2PC
SK3	3325	June 20	2PC
SK6	3375	July 15	2PC
SK7	3376	July 15	2PC

2. THE "SURROUNDING CLAIMS"

<u>Claim Name</u>	<u>Record No.</u>	<u>Anniversary Date</u>	<u>Units</u>
SK4	3397	July 9	2PC
SK5	3398	July 9	2PC
Skinner 1	3443	October 6	18
Skinner 2	3444	October 9	20
Skinner 3	3445	October 14	9
Skinner 4	3446	October 15	12

3. THE "AREA OF INTEREST"

The "Area of Interest" shall be a rectangular area measuring 7.5 km in a north-south direction and 12 km in an east-west direction whose northern boundary is situated 4.5 km due north of the legal corner post of the Skinner 1-4 claims and whose eastern boundary is situated 10.5 km due east of the said legal corner post. Any mineral claim located or acquired by either party and situated wholly within the Area of Interest shall be included in the Surrounding Claims for all purposes under the agreement.