

DATED

28 June

2004

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**OCEAN EQUITIES LIMITED** (3)

- and -

**GREYSTAR RESOURCES LIMITED** (1)

-and-

**DAVID ROVIG AND OTHERS** (2)

-and-

**INSINGER DE BEAUFORT** (4)

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**PLACING AGREEMENT**

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**MEMERY CRYSTAL**  
**44 Southampton Buildings**  
**London WC2A 1AP**  
**Tel: 020 7242 5905**  
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**THIS PLACING AGREEMENT** is made the **28** day of **June** 2004

**BETWEEN:**

1. **OCEAN EQUITIES LIMITED** (registered in England and Wales under number 3994976) whose registered office is at Ocean House, 10/12 Little Trinity Lane, London EC4V 2AR ("Ocean")
2. **GREYSTAR RESOURCES LIMITED** (amalgamated in British Columbia) whose registered office is at 3000 Royal Centre, 1055 West Georgia Street, Vancouver, British Columbia V6E 3R3 Canada ("the Company")
3. **THE SEVERAL PERSONS** whose names and addresses are set out in Schedule 1 hereto (each a "Director" and together "the Directors");
4. **INSINGER DE BEAUFORT** whose registered office is at 44 Worship Street, London EC2A 2JT ("Insinger")

**WHEREAS:-**

1. The Company proposes to issue the Placing Shares at the Placing Price by way of a placing with institutional and other investors.
2. Ocean has agreed as agent for the Company to use reasonable endeavours to procure subscribers for the Placing Shares on the terms and subject to the conditions set out in this Agreement.
3. Insinger has agreed to act as nominated adviser and Ocean has agreed to act as broker to the Company.

**IT IS AGREED** as follows:-

1. **DEFINITIONS AND INTERPRETATION**

- 1.1 In this Agreement unless the context otherwise requires the following words and expressions shall have the respective meanings ascribed to them below:-

"Accounts"

means the audited financial statement of the Company to 31<sup>st</sup> December 2003 prepared in accordance with generally accepted accounting

	principles in effect in Canada;
“Accounts Date”	means 31 <sup>st</sup> December 2003;
“Admission”	means the admission of the Common Shares to trading on AIM becoming effective and a reference to Admission “becoming effective” shall be construed as a reference to the London Stock Exchange issuing a dealing notice in accordance with Rule 6 of the AIM Rules;
“Affiliates”	means any subsidiary or holding company of Ocean and the employees, directors or agents of such person and “Subsidiary Holding Company” shall have the meanings ascribed thereto by Sections 736 and 736A of the CA;
“AIM Rules”	means the rules of AIM published by the London Stock Exchange plc;
“AIM”	means the market of that name operated by the London Stock Exchange;
“Appendix”	the Appendix of even date prepared in accordance with the Supplement to Schedule one of the AIM Rules in the agreed form;
“Board”	means the board of directors of the Company from time to time;
“Broker Agreement”	means the agreement of even date between the Company (1) Ocean (2) and the Directors (3) appointing Ocean as Broker for the purposes of the AIM Rules;
“Business Day”	means a day (excluding Saturdays, Sundays and public holidays) on which banks in the City of London are generally open for business;

"CA"	means the Companies Act 1985 (as amended);
"Common Shares"	means the common shares without par value in the capital of the Company in issue and to be issued pursuant to the Placing;
"Company's Solicitors"	means Field Fisher Waterhouse, 35 Vine Street, London EC3N 2AA;
"Conditions"	means the conditions set out in Clause 2;
"Connected Person"	means any connected person of the Director as defined in s346 of the CA;
"CREST"	means the settlement system operated by CRESTCo Limited;
"Directors"	means the Directors of the Company whose names and addresses are set out in Schedule 1;
"Disposal"	means whether directly or indirectly a sale or transfer or any disposition whatsoever, including an agreement to effect any of the foregoing or the creation of any option or charge which could lead to any of the foregoing, and the expression "dispose of" shall be construed accordingly;
"End Date"	means the first anniversary of Admission;
"Engagement Letters"	means the engagement letters dated 14 June 2004 and 26 May 2004 respectively under the terms of which each of Insinger and Ocean agreed to provide its services to the Company in connection with, inter alia, the application for Admission;
"Form of Announcement"	means the Form of Announcement in the agreed form to be made by the Company on

	the date hereof;
“FSMA”	means the Financial Services and Markets Act 2000;
“Group”	means the Company and its subsidiary at the date hereof;
“Indemnities”	means the indemnities set out in Clause 11.1;
“Issue Documents”	means the Form of Announcement, the Appendix, the Presentation and the Placing Letters;
“Locked-in Shares”	means those Common Shares beneficially owned by a Director and his Connected Persons, any Common Shares allotted and issued or acquired by a Director or any Connected Person on or after Admission but prior to the End Date whether by purchase or on exercise of any warrants or options they may hold from time to time or otherwise and any share capital of the Company into which Locked-In Shares are converted during such period;
“London Stock Exchange”	means London Stock Exchange plc;
“Mr Rovig”	David Bruce Rovig;
“Nominated Adviser Agreement”	means the agreement of even date between the Company (1) Insinger (2) and the Directors (3) appointing Insinger as Nominated Adviser for the purposes of the AIM Rules;
“Placees”	means those persons procured by Ocean as agent of the Company who have agreed to subscribe for all or any of the Placing Shares

	pursuant to the Placing;
<b>“Placing Letters”</b>	means the placing letters to be delivered or sent by Ocean to prospective Placees in connection with the Placing;
<b>“Placing Price”</b>	means the price per Common Share to be agreed between Ocean and the Company in accordance with Clause 6.2;
<b>“Placing Shares”</b>	means up to 10,000,000 Common Shares to be allotted which are the subject of the Placing;
<b>“Placing”</b>	means the placing of the Placing Shares to be arranged by Ocean as agent for the Company pursuant to the provisions of this Agreement and the Issue Documents;
<b>“Placing Jurisdictions”</b>	United Kingdom, Europe and Canada;
<b>“POS Regulations”</b>	means The Public Offers of Securities Regulations 1995, as amended;
<b>“Presentation”</b>	the Presentation prepared by the Company to be delivered to prospective Placees in the agreed form;
<b>“Public Record”</b>	all information in the current public disclosure record, or in current public disclosure filed by the Directors and senior officers of the Company all as filed with the Canadian securities regulatory authorities and accessed on <a href="http://www.sedar.com">www.sedar.com</a> and <a href="http://www.sedi.com">www.sedi.com</a> ;
<b>“Registrars”</b>	means Computershare Trust Company of Canada, 4th Floor, 510 Burrard Street, Vancouver, British Columbia, V6C 3B9, Canada;

“Relevant Person”	means Insinger and Ocean and any subsidiary or holding company of or any subsidiary of a holding company of Insinger and Ocean and the employees, directors and agents of such persons and of Insinger and Ocean, as the case may be, and “subsidiary” and “holding company”, shall have the meanings ascribed thereto by sections 736 and 736A of the CA;
“Reporting Accountants”	means KPMG LLP, Box 10426, 777 Dunsmuir Street, Vancouver, British Columbia, U7Y 1K3, Canada;
“Significant Event”	as defined in clause 12.2;
“Solicitors to Ocean”	means Memery Crystal of 44 Southampton Buildings, London, WC2A 1AP;
“Verification Notes”	means the notes in the agreed form incorporating questions and answers thereto confirming certain of the information contained in the Appendix and Presentation;
“Warranties”	means the warranties set out in Clause 10 and Schedule 2;
“Warrantors”	means the Company and Mr Rovig;
“Working Capital Report”	means the illustrative financial projections as to the availability of working capital for the Group in agreed terms for the period ending 31 <sup>st</sup> December 2005 as reported on by the Reporting Accountants.

1.2 In this Agreement, unless the context otherwise admits:-

(a) any reference to a statute or statutory provision includes a reference to:-

- (i) that statute or provision as from time to time modified or re-enacted;
  - (ii) any repealed statute or statutory provision which it re-enacts (with or without modification); and
  - (iii) to any subordinate legislation made under the relevant statute;
- (b) any reference to a Recital, Clause or Schedule is to the relevant Recital, Clause or Schedule of or to this Agreement and any reference to a Sub-clause or paragraph is to the relevant sub-clause or paragraph of the Clause or Schedule in which it appears and the Schedules form part of and are deemed incorporated into this Agreement;
- (c) the index and clause headings are for ease of reference only and shall not affect the interpretation of this Agreement;
- (d) use of the singular includes the plural and vice versa;
- (e) use of any gender includes the other genders;
- (f) references to “persons” includes corporations and unincorporated associations, partnerships and government and other regulatory authorities;
- (g) the expression "subsidiary undertaking" and "holding company" shall have the meaning given thereto in the CA;
- (h) references to a “certified copy” of a document are to a copy certified as being a true copy of the original by the Company's Solicitors or by any Director or by the secretary of the Company; and
- (i) references to a document being in the “agreed form” means the form agreed between the parties, and initialled by them or on their behalf, in each case with such alterations (if any) as may be agreed by or on behalf of the parties;
- (j) references to “parties” means the parties to this Agreement and “party” means any of them; and

(k) references to any approval or consent being provided by any party to the other shall be deemed to include a provision that any consent or approval should be provided within 3 Business Days of any request to do so save where the consent or approval relates to press or regulatory announcement where any consent or approval shall be provided within 24 hours of any request, and if no response is received by the relevant party within such period such consent or approval shall be deemed to have been given.

1.3 any phrase introduced by the terms “including”, “include”, “in particular” or any similar expression shall be construed as illustrative and shall not limit the sense of the words preceding those terms.

## **2. CONDITIONS**

2.1 The obligations of Insinger and Ocean under this Agreement are conditional upon (and the obligations of the Company under the Agreement are conditional upon paragraph 2.1(i) below):-

- (a) the Issue Documents being approved by a meeting of the Board;
- (b) the Form of Announcement and Appendix having been delivered to the Stock Exchange by no later than 3 pm on the date hereof;
- (c) the prescribed form notice of the Placing being delivered by the Company to the Toronto Stock Exchange on the date hereof and the Toronto Stock Exchange issuing acceptance of such notice;
- (d) the application for Admission being made by Insinger on behalf of the Company;
- (e) the publication of the Issue Documents in accordance with Clause 4;
- (f) the Directors having confirmed in writing to Insinger and Ocean that immediately prior to Admission there has not come to their attention (having made reasonable enquiry) any fact or matter which would constitute a breach of any of the Warranties or constitute a Significant Event;

- (g) the fulfilment by the Company of its obligations under Clause 3 by no later than the relevant dates specified in such Clause (or such later time(s) or date(s) as maybe agreed by the Company and Insinger and Ocean);
- (h) Admission taking place on or before 22<sup>nd</sup> July 2004 or such later date (being no later than 31<sup>st</sup> August 2004) as Insinger and Ocean may agree; and
- (i) a minimum of £5,000,000 being raised for the Company pursuant to the Placing.

2.2 The Company and the Directors shall use all reasonable endeavours to ensure the fulfilment of the Conditions on or prior to the dates specified in Clause 2.1 and, in particular, the Company will provide such information and supply such documents, pay such fees and expenses give such undertakings and do all such acts and things as maybe reasonably required by the London Stock Exchange to enable Admission to take place.

2.3 If any of the Conditions are not fulfilled or waived by Insinger and Ocean on or before 22<sup>nd</sup> July 2004 or such later date (being no later than 31<sup>st</sup> August 2004) as Insinger and Ocean may agree, this Agreement shall cease and determine and no party will have any claim against any other party for costs, damages, compensation or otherwise, except that:-

- (a) such termination shall be without prejudice to any accrued rights or obligations of any party under this Agreement;
- (b) the provisions of this Clauses 1, 2.3, 8.2, 8.4, 10, 11, 15 and 18 shall remain in full force and effect.

2.4 Insinger and Ocean shall be entitled in their absolute discretion (and on such terms, conditions and provisions as they shall in their absolute discretion, think fit) to waive or extend the time for fulfilment of all or any of the conditions set out in Clause 2.1 (other than those contained in Clauses 2.1(b), 2.1(c), 2.1(e) 2.1(h) and 2.1(i) above). The condition set out in Clause 2.1(i) can only be waived with the consent of Insinger, Ocean and the Company.

### **3. DELIVERY OF DOCUMENTS**

Forthwith upon (and on the day of) the execution of this Agreement by all the Parties (or in the case of the document referred to at Clause 3.8 as soon as reasonably practicable), the Company shall cause to be delivered to the Solicitors for Ocean (to the extent that either Insinger or Ocean has not already received the same):-

- 3.1 A certified copy of the Form of Announcement and a certified copy of the Appendix;
- 3.2 a certified copy of the prescribed form notice providing details of the proposed Placing filed with the Toronto Stock Exchange;
- 3.3 Certified copies of letters addressed to Insinger and the Company from each of the Directors accepting responsibility for the Form of Announcement and Appendix and a power of attorney;
- 3.4 A copy of the Verification Notes signed by or on behalf of each of the Directors;
- 3.5 A signed original of the Working Capital Report signed by or on behalf of each of the Directors together with letters each in the agreed form from the Reporting Accountants addressed to Insinger and the Company:-
  - (a) reporting on the Working Capital Report and giving comfort in relation to the working capital forecasts of the Directors;
  - (b) confirming that there is no material difference between the Accounts prepared under generally accepted accounting principles in effect in Canada and International Accounting Standards.
  - (c) regarding the "Taxation" paragraphs in the Appendix; and
  - (d) regarding the financial reporting procedures of the Company.
- 3.6 The Nominated Adviser Agreement duly executed by the Company and the Directors;
- 3.7 The Broker Agreement duly executed by the Company and the other parties

thereto;

- 3.8 A certified copy of minutes of the meeting of the Directors at which resolutions were passed, inter alia, approving the Issue Documents and authorising the execution of this Agreement;
- 3.9 As soon as reasonably practicable a certified copy of resolutions of the Directors authorising the conditional allotment of the Placing Shares;
- 3.10 A certified copy of the Memorandum and Articles of the Company.
- 3.11 Signed originals of a letter, in such form as shall previously have been approved by Insinger written by the Company's Solicitors to Insinger in respect of the matters to be confirmed pursuant to AIM Rule 37.
- 3.12 For each Director an original declaration of his business activities.
- 3.13 All such further information and documentation as Insinger or Ocean may reasonably require in connection with the Placing and Admission including evidence that all filing requirements of the Canadian securities regulatory authorities have been satisfied.

#### **4. REGISTRATION, CREST AND APPLICATION FOR ADMISSION**

- 4.1 The Company hereby authorises and requests Insinger to deliver the Form of Announcement and Appendix to the London Stock Exchange for release not later than 5 pm today.
- 4.2 The Company shall through Insinger, make application for Admission on 16<sup>th</sup> July 2004 or on such later date as the parties may agree, such other date being no later than 25<sup>th</sup> August 2004.
- 4.3 The Company and the Directors shall, in so far as they are able, take all such steps, execute all such documents, supply all such information and documents, give all such undertakings and the Company shall pay all such fees and other expenses and do or procure to be done all such things as may properly be required by Insinger or Ocean in connection with their responsibilities pursuant to the Placing or requested by the London Stock Exchange or the Toronto Stock Exchange in connection with the application for Admission and the Placing and in order to comply fully with all relevant provisions of the AIM

Rules, UK laws and regulations and applicable Canadian laws and regulations.

- 4.4 The Company and each of the Directors shall do all things necessary to obtain the approval of the Toronto Stock Exchange to the Placing and in particular shall file for acceptance with the Toronto Stock Exchange a notice of the Placing in the prescribed form setting out, among other things, the Placing Price which price will not be less than the minimum price permitted under the policies of the Toronto Stock Exchange no later than close of business in Vancouver on the date hereof and the Company will agree to file an amendment to such notice setting a new Placing Price with the Toronto Stock Exchange if a new Placing Price is agreed to by Ocean and the Company at any time prior to Admission.
- 4.5 The Company shall use all reasonable endeavours to procure that, on Admission, all conditions in respect of the permission for title to depository interests or Common Shares to be transferred by means of the CREST system imposed by CRESTco Limited will be satisfied, including satisfying all Canadian securities regulatory issues and Canadian laws and in accordance with the Memorandum and Articles of the Company.

## **5. INVITATIONS FOR SUBSCRIPTION OF THE PLACING SHARES**

- 5.1 The Company authorises and instructs Ocean to procure subscribers for the Placing Shares and for such purposes:-
- (a) irrevocably appoints Ocean as its agent for the purposes of the Placing and procuring Placees and gives its authority to Ocean to seek firm commitments from Placees by the distribution of Placing Letters and copies of the Form of Announcement and Appendix and Ocean hereby confirms acceptance of such appointment;
  - (b) confirms that the foregoing appointment confers on Ocean all powers, authorities and discretions on behalf of the Company which are reasonably necessary for or properly incidental to the Placing; and
  - (c) agrees to ratify and approve all documents, acts and things which Ocean shall properly and lawfully do without wilful default or negligence in the exercise of such appointment, powers, authorities and discretions.

- 5.2 The Company shall give all such assistance and provide all such information as Ocean may reasonably require for the making and implementation of the Placing and will do (or procure to be done insofar as it is able) all such things and execute (or procure to be executed insofar as it is able) all such documents as may be necessary to be done or executed by the Company or on its behalf by its officers or employees in connection therewith.
- 5.3 Pursuant to the authority granted to it in Clause 5.1, Ocean agrees on behalf of and as agent for the Company, to arrange the Placing upon and subject to the terms and conditions set out in the Issue Documents and the Company hereby authorises and directs:-
- (a) Ocean to send to Placees the Placing Letters and a copy of the Form of Announcement and Appendix;
  - (b) Insinger to arrange for the delivery of the Form of Announcement and Appendix as required by the AIM Rules.

## **6. OCEAN'S OBLIGATIONS**

- 6.1 Ocean shall use its reasonable endeavours to procure Placees for all the Placing Shares at the Placing Price as agent for the Company on the terms of the Placing Letters on the basis of the information contained in the Issue Documents and in reliance upon the Warranties.
- 6.2 Ocean shall agree the number of Placing Shares to be placed with Placees and the Placing Price with the Company at least 7 Business Days prior to Admission.
- 6.3 The Placing is not being underwritten by Ocean and nothing in this Agreement shall impose on Ocean any obligation to underwrite any of the Placing Shares or to subscribe for any of the Placing Shares or to make any payment in respect of the subscription obligations of any placee.
- 6.4 Ocean shall deliver to the Company no later than the Business Day prior to Admission a list of the persons who have subscribed for the Placing Shares showing their full name and address and the number of Placing Shares for which they have agreed to subscribe.

- 6.5 Subject to the allotment and issue of the Placing Shares by the Company, Ocean shall procure the delivery to the Company or as it may direct no later than 3 Business Days after Admission by telegraphic transfer to the Company's bank account notified to Ocean prior to Admission such sum as shall equal the Placing Price multiplied by the number of Placing Shares placed with Places procured by Ocean less the aggregate of the fees commissions and expenses payable by the Company pursuant to Clause 8.
- 6.6 The Placing Shares will be offered for sale and distributed by Ocean and its affiliates only in those jurisdictions where and to persons to whom they may be lawfully offered for sale, distributed, placed or sold and upon the terms and conditions set forth in this Agreement.
- 6.7 Ocean hereby agrees that:
- (a) it and its affiliates shall use their reasonable efforts to solicit subscriptions for and to offer the Placing Shares for subscription in the Placing Jurisdictions as agent of the Company and will do so only in compliance with all applicable securities laws including all applicable Canadian securities laws;
  - (b) comply with reasonable requirements and requests of the Company and its advisers in relation to all applicable Canadian securities laws;
  - (c) it and its affiliates will refrain from advertising the Placing in printed media of general and regular paid circulation, radio or television;
  - (d) it has good and sufficient right and authority to enter into this Agreement and to complete the transactions to be completed by it under this Agreement on the terms and conditions set forth herein;
  - (e) it and its affiliates is or will be duly qualified under applicable securities laws in those jurisdictions in which it or its affiliates will act as agent of the Company in connection with the Placing as to permit it to lawfully fulfil its obligations under this Agreement;
  - (f) it and its affiliates will not solicit offers to purchase or sell Placing Shares so as to require registration thereof or filing of a prospectus or offering memorandum or other comparable documents with respect

thereto under applicable laws.

- (g) it and its affiliates will not, in connection with the Placing, make any written representation or written warranty with respect to the Placing Shares except pursuant to the Issue Documents.

## **7. ALLOTMENT OF THE PLACING SHARES**

- 7.1 Upon delivery of the list of Placees by Ocean in accordance with Clause 6.4 the Company will procure that a meeting of the Board or a duly constituted committee thereof is held at which the Placing Shares shall, subject to Admission, be allotted to the Placees in accordance with the list.
- 7.2 The Company shall supply to Insinger certified copies of the resolutions of the Board or of a duly authorised committee thereof referred to in Clause 7.1 together with copies of such other resolutions of the Board relating to the Placing as Insinger or Ocean may reasonably request.
- 7.3 The Company hereby undertakes to Ocean that it will procure that the Placing Shares will upon allotment and full payment therefor be fully paid and free from all liens, charges, claims, equities and encumbrances and will rank, upon issue, *pari passu* in all respects with the existing issued Common Shares.
- 7.4 The Company shall procure that:-
  - (a) as soon as practicable following Admission, it shall deliver or procure that there are issued definitive share certificates in the names of the Placees in respect of the relevant number of Placing Shares; or in the case of Placing Shares to be issued in uncertificated form, the Company shall procure that the relevant accounts of Placees be credited on the date of Admission with the relevant number of Placing Shares in accordance with the practice and procedures of CREST conditional upon, in each instance, receipt by the Company (or Ocean as agent for the Company) of payment of the Placing Price for the Placing Shares so delivered, issued or in respect of which the Placees' accounts are credited; and

- (b) in all such cases the details of such persons are entered in the Company's register of members in respect of such number of Placing Shares allotted to them.

7.5 In the event of any difficulties or delays in the admission of the Company's securities to CREST or use of CREST in relation to the Placing, the Company and Insinger may agree that all of the Placing Shares should be issued or transferred (as the case may be) in certificated form and the provisions in this Agreement relating to the Placing arrangements will then be deemed to be modified accordingly.

## **8. COMMISSIONS, FEES AND EXPENSES**

8.1 In consideration of Ocean's agreement to procure subscribers for the Placing Shares and Insinger's services in connection with the Placing, including the preparation of the Issue Documents, the Company shall (conditional on Admission):

- (a) pay a corporate finance fee of £40,000 to Insinger;
- (b) pay a commission of an equal amount to five per cent (5%) of the Placing Price multiplied by a figure equal to the total number of Placing Shares to Ocean;

together, in each case, with any applicable VAT thereon.

8.2 The Company shall pay to Ocean the legal fees and reasonable out of pocket expenses referred to in Clause 8.4 below within ten business days of termination in the event that this Agreement is terminated by Insinger and/or Ocean in accordance with Clause 12 or if any of the Conditions are not fulfilled (or, where appropriate, waived by Insinger and Ocean).

8.3 In the event that the Placing does not proceed and a transaction similar to the Placing or any new equity or loan capital is raised by the Company, or a sale of the shares in the Company or a substantial part of its assets is arranged or agreed to within six months of this agreement being terminated by:-

- (a) the Company other than a termination resulting from the failure of Ocean to procure subscriptions for Common Shares of at least 5 million

pounds prior to 31<sup>st</sup> July 2004 (provided that the material cause of such failure is not an act or omission of the Company) or the fraud, default or negligence of Ocean with respect to its obligations hereunder; or

(b) Ocean, by reason of an event listed in Clause 12.3(a) to (g) inclusive;

then a fee will become immediately due and payable to Ocean equivalent to the commission payable pursuant to clause 8.1(b) above.

8.4 The Company will bear and agrees to be responsible for all reasonable costs, charges and expenses of or incidental to satisfaction of the Conditions and the issue of the Placing Shares whether or not any allotment is made to the persons procured by Ocean itself and whether or not this Agreement becomes unconditional or is terminated for any reason, including without limitation:-

(a) the fees of its own professional advisers;

(b) the legal expenses of Ocean in respect of the Placing and Admission (not to exceed £10,000 plus VAT and disbursements);

(c) the cost of printing and distribution of the Issue Documents;

(d) all fees in connection with the registration of any documents and the application for Admission;

(e) all other reasonable and proper expenses of and incidental to the Placing and Admission not referred to above; and

(f) Registrars' fees.

The Company will forthwith upon request by Insinger and Ocean and delivery of invoices with respect thereto reimburse Insinger and Ocean the amount of any such expenses which either Insinger or Ocean has paid on behalf of the Company.

8.5 The amounts payable pursuant to Clause 8.1 shall be paid to Insinger and Ocean not later than 3.00 pm on the fifth Business Day following the date of Admission or such other date as Insinger and Ocean and the Company may agree in writing. In the event that Ocean is due to pay any sum to the Company pursuant to Clause 6.5, Ocean is hereby authorised by the Company to deduct

from the sum payable to it, such fee and commission set out in Clause 8.1 and those costs and charges of Insinger and Ocean's agents and advisers referred to in Clause 8.4 and the sums otherwise payable and referred to in Clause 8.6 below.

8.6 Insinger and Ocean shall ensure that invoices in respect of costs, charges and expenses referred to in Clause 8.4 are addressed to the Company. In any event where a sum is reimbursed to Insinger and Ocean pursuant to this Clause 8, then the Company shall in addition pay to Insinger and Ocean against delivery to the Company of a VAT invoice:-

- (a) to the extent that the reimbursement constitutes the consideration (or any part of it) for any supply of services to the Company by Insinger and Ocean, such amount as equals any VAT properly payable thereon;
- (b) such amount as equals any VAT charged to or incurred by Insinger and Ocean (in respect of the expense which gives rise to or is included in the payment or reimbursement), which Insinger and Ocean reasonably certifies is not recoverable as input tax from H.M. Customs & Excise by repayment or set-off; and
- (c) to the extent that any such reimbursement is in respect of any disbursement incurred by Insinger and Ocean as agent, on behalf of the Company in respect of services supplied to the Company, such amount as equals any VAT paid thereon by Insinger and Ocean except to the extent that such VAT is recoverable by Insinger and Ocean from HM Customs & Excise.

## 9. ANNOUNCEMENTS

9.1 Subject to the provisions of Clause 9.2, no public announcement or communication or other provision of information concerning the Company which is material in relation to the Placing may be made or despatched prior to Admission by or on behalf of the Company other than the Issue Documents without the prior written consent of Insinger and Ocean.

9.2 The provisions of clause 9.1 shall not apply to any public announcement or communication if and to the extent that it is required by Canadian or English

misleading in any material respect if repeated by reference to the facts and circumstances in existence at any time prior to Admission;

- (b) to notify Insinger and Ocean forthwith if at any time prior to Admission it/he becomes aware that any of the Warranties is untrue or inaccurate or misleading in any material respect; and
- (c) to notify Insinger and Ocean forthwith of all other information of which he becomes aware at any time prior to Admission which would or is likely to constitute a significant change affecting any matter contained in the Form of Announcement and Appendix or a significant new matter the inclusion of information in respect of which in the Form of Announcement and Appendix should properly have been effected if it had arisen before publication of the Form of Announcement and Appendix.

10.4 Where any Warranty given by the Warrantors is expressed to be qualified by reference to the awareness and /or knowledge and/or information and/or belief of any person or words to similar effect, it shall unless specifically stated to the contrary be deemed to include a statement to the effect that it has been made after making reasonable enquiry.

10.5 If at any time prior to Admission Insinger and Ocean shall receive notification pursuant to Clause 10.3(b) or it shall otherwise become aware that any of the Warranties has become or is untrue, inaccurate or misleading in any respect which in the opinion of Insinger and Ocean, acting reasonably, is or will be material in relation to the Placing, Insinger and Ocean may (without prejudice to any right to terminate its obligations under this Agreement pursuant to Clause 12) require the Company at its own expense to make or cause to be made such announcement and/or despatch such communication as Insinger and Ocean may reasonably determine.

10.6 Subject as otherwise provided in this Agreement each of the Warranties and the Indemnities shall remain in full force and effect notwithstanding completion of this Agreement.

10.7 Any release, waiver or compromise or any other arrangement of any kind whatsoever which Insinger and Ocean may agree to or effect as regards one or

more of the Company or the Warrantors shall not affect the right of Insinger and Ocean as regards any other person liable hereunder.

- 10.8 Notwithstanding anything herein contained, save in the event of fraud or wilful non-disclosure, Insinger and Ocean shall not be entitled to make any claim under the Warranties against the Warrantors unless it shall have given written notice thereof to the Warrantors specifying in reasonable detail the basis of such claim and the amount thereof on or before the date falling one month after the publication of the audited financial statements for the year ending 31<sup>st</sup> December 2005 and any such claim notified under this clause (not having been finally determined) shall be deemed irrevocably withdrawn and lapsed if proceedings in respect thereof have not been issued and validly served within 120 days of the final date of notification pursuant to this clause.

For the purposes of this clause 10.8, “finally determined” shall mean in respect of any claim for breach of warranty under this Agreement the amount:

- (a) agreed in writing between the directors and/or the Company (as the case may be) and Ocean; or
  - (b) determined or awarded by any court of competent jurisdiction or in any arbitration from which there is no further appeal, the time period for appeal has lapsed or the right to appeal has been waived in writing as being due to Ocean in respect of any such claim.
- 10.9 The aggregate liability of each of the Directors under this Agreement shall not exceed the amount set out opposite his name in Schedule 1, save in the case of claims which are the consequence of fraud or wilful concealment by any Director, in which case there shall be no maximum. The liability of the Company shall be unlimited.
- 10.10 Each of the parties hereto acknowledge that the Warranties are given to Ocean for itself and as trustee for the benefit of the Placees, on the basis that they shall enjoy absolute discretion as to making any claim for breach of Warranty.
- 10.11 No delay or other indulgence on the part of Insinger and Ocean in enforcing the Warranties or the Indemnities or any other terms and conditions hereof shall be construed as a waiver thereof and no single or partial exercise of any

rights or remedy under this Agreement will preclude or restrict the further exercise or enforcement of any such right or remedy.

- 10.12 Each of Insinger and Ocean shall, to the extent that it suffers any loss in respect thereof, be entitled to the same remedies and rights of action against the Company and/or the Warrantors as any person acquiring any Placing Shares and the Warranties shall be in addition to and shall not be construed as limiting or prejudicing those or any other rights or remedies available to Insinger and Ocean.
- 10.13 Each of the Directors hereby waives all and any rights which he may have or claim to have against the Company (including without limitation any rights of contribution) arising out of or in connection with any breach of warranty, representation, undertaking, indemnity or obligation under or pursuant to this agreement
- 10.14 Each of the Directors and the Company hereby undertake not to issue any securities, options or instruments convertible into any securities within a period of six months from Admission without the prior consent of Ocean, such consent not to be unreasonably withheld or delayed.
- 10.15 No amount may be recovered for breach of any of the Warranties (a "Relevant Claim") to the extent that the relevant loss, liability or cost arises from the fraud, negligence or wilful default of Ocean or its affiliates or Ocean's material breach of any provision of this Agreement, the AIM Rules, any regulatory system (as defined in the Financial Service Authority Handbook of the United Kingdom) or of any duties owed to the Company pursuant to the FSMA or any regulation made pursuant thereto.
- 10.16 No person may recover in respect of any Relevant Claim to the extent that recovery in respect of the matter or liability giving rise to the same has already been made whether under any other provision of this Agreement or otherwise.
- 10.17 If a Warrantor makes payment under a Relevant Claim and Ocean or its affiliates subsequently recovers from a third party a sum or benefit which is referable to such liability (whether under any policy of insurance or otherwise), Ocean shall promptly thereafter, to the extent that such recovery results in Ocean or its affiliates more than recovering the original loss or liability the

subject of the relevant claim, account to the relevant Warrantor originally satisfying the claim for the excess (but not exceeding the amount originally paid by the relevant Warrantor in respect of the relevant claim) less any reasonable costs and expenses properly incurred in making the recovery.

10.18 Nothing in this Agreement shall relieve or be deemed to relieve Ocean or any of its affiliates from any common law duty to mitigate any loss or damage suffered by them or any of them.

10.19 Ocean hereby confirms and agrees that it is not entering into this Agreement in reliance upon any representation or warranty or similar assurance by or from the Company or any other member of the Group or any director except as expressly set out in this Agreement or the Issue Documents or the Public Record.

10.20 Save in respect of fraud or wilful non disclosure no claim shall be made against the Warrantors if the fact, event or circumstances giving rise to the claim are fairly disclosed in the Announcement, the Appendix or the Public Record.

## **11. INDEMNITY**

11.1 The Company shall indemnify and hold harmless each Relevant Person against all proceedings, actions, claims and demands brought or made against such Relevant Person and all liabilities, losses (other than loss of profits), reasonable costs, reasonable charges and reasonable expenses (including reasonable legal fees and expenses) which any of them may suffer or incur in investigating, responding to, defending or settling any proceedings, action, claim or demand which arises as a result of or arising out of or in connection with:-

- (a) the issue or despatch of the Form of Announcement, Appendix, Presentation or Placing Letters (or any of them);
- (b) the allotment and issue of the Placing Shares;
- (c) any breach or alleged breach of any of the Warranties or of any of the other material provisions of this Agreement;

- (d) the Issue Documents not containing all information material in the context of the Placing which an investor might reasonably require or might reasonably expect to find there or any statement therein being, or being alleged to be, untrue, incorrect or misleading in any material respect;
- (e) any breach or alleged breach of FSMA, the POS Regulations, the AIM Rules or laws or regulations of any part of the United Kingdom or the equivalent laws and regulations in Canada resulting from the issue or distribution of the Issue Documents or the entering into or completion of this Agreement; or
- (f) proper performance by each of Insinger and Ocean of its services to the Company in connection with the Placing, or the preparation and distribution of any of the Issue Documents;
- (g) any breach or alleged breach of the laws or regulations of any country resulting from the Placing or the distribution of the Issue Documents in or to such country being a country in which such acts would be illegal (which distribution Insinger and Ocean confirms and undertakes to the Company neither it nor any Relevant Person shall make or authorise);

and which does not arise out of the fraud, negligence or default of or breach of any obligation hereunder by the Relevant Person or any contravention by the Relevant Person of this Agreement, the AIM Rules, the rules of the Financial Services Authority or the conduct of business provisions of the FSMA.

- 11.2 The Indemnities shall remain in full force and effect notwithstanding the completion of all matters and arrangements referred to in or contemplated by this Agreement.
- 11.3 No claim shall be made against any Relevant Person or any director, employee or agent of any Relevant Person by the Company or any Director to recover any damage, cost, charge or expense which the Company may suffer or incur by reason of or arising out of the arrangement by Ocean (as agent for the Company) of the Placing, (the performance of Ocean's obligations under Clause 6), the performance of Insinger's and Ocean's other obligations hereunder, the issue of the Placing Shares or the publication or despatch of the

Issue Documents unless and to the extent that such damage, cost, charge or expense arises from the Relevant Person's fraud, negligence or default or breach of its obligations under this Agreement or any contravention by the Relevant Person of the AIM Rules, the rules of the Financial Services Authority or the conduct of business provisions of the FSMA.

11.4 Each of Insinger and Ocean will notify and consult with the Company as soon as practicable after it becomes aware of:

- (a) any claim which may give rise to a liability upon the Company under the indemnity given to Insinger and Ocean pursuant to this Clause 11; or
- (b) any matter of which it becomes aware which is likely to give rise to such a claim.

11.5 Each of Insinger and Ocean will at the request of the Company for itself and in so far as it is authorised and it is reasonably practicable for it so to do on behalf of any other person take such action as the Company may reasonably request to avoid, dispute, resist, appeal or compromise any claim or other matter notified to the Company by Insinger and Ocean pursuant to Clause 11.4 (the "Claim") subject to Insinger and Ocean being indemnified and secured to its/their reasonable satisfaction by the Company against all losses, costs, damages and expenses which may be thereby incurred. Notwithstanding the aforesaid, if in the reasonable opinion of Insinger and Ocean, the Company has committed any acts or omissions which constitute fraudulent conduct each of Insinger and Ocean may without reference to the Company pay, settle or otherwise deal with the Claim as it feels fit.

11.6 For the avoidance of doubt, should any amount paid or payable under the Indemnities be itself subject to tax in the hands of the recipient or be required by law to be paid under any deduction or withholding, the Company will pay such sum as will after any such tax, deduction or withholding leave the recipient with the same amount as he would have had if no such tax had been payable and no deduction or withholding had been made as may be necessary to give effect to this Clause 11.6.

## **12. TERMINATION AND CHANGE IN CIRCUMSTANCES**

- 12.1 The Company shall not prior to Admission enter into any commitment or agreement or put itself in a position where it is obliged to announce that any commitment or agreement may be entered into in either case which is material in the context of the Placing and Admission, without the prior written consent of Insinger and Ocean such consent not to be unreasonably withheld or delayed.
- 12.2 Each of the Directors and the Company agree that every significant change, significant new matter or significant inaccuracy which arises between the time when the Form of Announcement is published and the date Admission becomes effective ("Significant Event") shall be dealt with in accordance with Rule 2 of the AIM Rules unless the Company elects instead to terminate the Application and to withdraw the Form of Announcement or this Agreement is terminated by Insinger or Ocean pursuant to this Clause 12. Each of the Directors undertakes to bring to the attention of the Company and Insinger any such matters as are referred to in this sub-clause of which he has actual knowledge before Admission.
- 12.3 If, on or at any time before Admission becomes effective, Insinger and/or Ocean becomes aware that:
- (a) any statement contained in the Form of Announcement or Appendix has become or has been discovered to be untrue, inaccurate or misleading in any material respect;
  - (b) any of the Warranties was not when given, true accurate and not misleading in all material respects and such breach has not been remedied within one Business Day of notification to the Warrantors of the breach by Ocean or by Admission whichever is earlier;
  - (c) any of the Warranties has ceased or is likely to cease to be true and accurate and not misleading in any material respect and such breach has not been remedied within one Business Day of notification to the Warrantors of the breach by Ocean or by Admission whichever is earlier;

- (d) any of the Directors or the Company have failed or will be unable to comply in any material respect with any of their respective obligations under this Agreement;
- (e) a Significant Event has occurred;
- (f) there shall occur any adverse change in the financial position or prospects of the Company; or
- (g) the occurrence of any international crisis, any act of terrorism, outbreak of hostilities, change in national or international financial, monetary, economic, political or market conditions including fluctuations in exchange rates which Insinger or Ocean reasonably believes is, will or may be materially prejudicial to the Company or to the successful outcome of the Placing;
- (h) Ocean and the Company fail to agree the Placing Price by no later than 7 Business Days prior to Admission;

then Insinger and/or Ocean shall consult with the Company and the Directors in good faith and in a timely manner to the extent practicable but may, if Insinger and/or Ocean is of the opinion in its absolute discretion that such event is materially prejudicial to the outcome of the Placing and that it is, as a result of such matter, inappropriate to proceed with the Placing, in their absolute discretion, by notice in writing to the Company, terminate this Agreement.

12.4 If Insinger and/or Ocean elects to terminate this Agreement pursuant to sub-clause 12.3 Insinger and/or Ocean shall, on behalf of the Company, withdraw any application to the London Stock Exchange for Admission.

12.5 Upon Insinger and/or Ocean terminating their obligations under this Agreement pursuant to Clause 12.3, this Agreement as between Insinger and Ocean on the one hand and the Company and the Directors on the other hand shall forthwith terminate and the obligations hereunder of Insinger and Ocean to the Company and the Directors and the obligations of the Company and the Directors to Insinger and Ocean shall cease, save that:-

- (a) such termination and cessation shall be without prejudice to any accrued

rights or liabilities of the parties to this Agreement accrued prior to the date of such termination (including the right of Insinger and/or Ocean to make a claim under this Agreement in respect of any antecedent breach);

- (b) the Indemnities in favour of Insinger and/or Ocean shall remain in full force and effect;
- (c) the Company shall promptly and in any event within 5 Business Days of such withdrawal, pay a fee of £10,000 to Insinger and the expenses (together with VAT) of Insinger and Ocean as referred to in Clause 8.4.

### **13. UNDERTAKINGS**

Each of the Directors hereby undertakes to Insinger and Ocean and to the Company that he will (for so long as he remains a director of the Company) comply with the provisions of the AIM Rules and all applicable Canadian laws and regulations.

### **14. RESTRICTIONS ON DISPOSALS OF ORDINARY SHARES**

- 14.1 Each of the Directors undertakes to Insinger and Ocean (subject to Sub-Clause 14.2 below) that he will not and will use all reasonable endeavours to procure that a person who is a Connected Person will not during the period from Admission until the End Date Dispose of any of the Locked-In Shares.
- 14.2 Subject as provided below, the provisions of Sub-Clause 14.1 above shall not apply to a Disposal of Ordinary Shares made:-
  - (a) in acceptance of a general offer for the whole of the issued equity share capital of the Company (other than any equity share capital held by or committed to the offeror and/or persons acting in concert with the offeror) made in accordance with the relevant Canadian laws and regulations or in executing an irrevocable undertaking to accept such an offer; or
  - (b) by personal representatives of any Director if he shall die during the period of such restrictions provided that the sale of any shares in the Company by such personal representatives pursuant to this sub-clause 14.2(b) during such period shall be effected in accordance with the

reasonable requirements of Ocean so as to ensure an orderly market for the issued share capital of the Company;

provided always that any transferee as is referred to in Clause 14.2(b) above shall undertake to Insinger and Ocean by deed in a form reasonably acceptable to it to comply with all liabilities and obligations of the transferor under this Clause 14 (subject to any relevant limitations thereon) whereupon the transferor shall be released from any such liability or obligation.

## **15. NOTICES**

15.1 Any notice to be given under this Agreement shall be given in writing signed by or on behalf of the party giving it and shall be irrevocable without the written consent of the party on whom it is served.

15.2 Any such notice may only be served:-

- (a) personally by giving it to an individual who is party or to Will Slack on behalf of Ocean, email address will.slack@oceanequities.co.uk, fax number +44 (0)20 7332 2071, Stephen Goschalk on behalf of Insinger, email address sgoschalk@insinger.com, fax number +44 (0)20 7655 6896, and to David Rovig on behalf of the Company, email address rovigminerals@imt.net;
- (b) by leaving it at or sending it by prepaid first class letter through the post to, the address of the party to be served which is referred to for that purpose in the Schedules to this Agreement or if another address shall have been notified by that party to all the other parties for the purposes of this Clause by notice given in accordance with this Clause 15.2(b) then to the address of such party which shall have been so notified, for which purpose the latest notification shall supersede all previous notifications; or
- (c) by facsimile (in which case it shall be deemed to have been signed by or on behalf of the party giving it) to the facsimile number for the party to whom it is to be sent.

15.3 Notices shall be deemed served as follows:-

- (a) in the case of personal service at the time of such service;
- (b) in the case of leaving the notice at the relevant address, at the time of leaving it there;
- (c) in the case of service by post, on the seventh Business Day following the day on which it was posted and in proving such service it shall be sufficient to prove that the notice was properly addressed, stamped and posted;
- (d) in the case of service by facsimile, on the Business Day following the day on which it was transmitted and in proving such service it shall be sufficient to prove that the facsimile message was preceded by the answerback code relevant for the purposes of this Clause of the third party to whom it was sent and that there was no evidence that such transmission had been interrupted.

## **16. MISCELLANEOUS PROVISIONS**

- 16.1 Rights arising from or in connection with this Agreement may not be assigned.
- 16.2 This Agreement, together with the agreements referred to herein, constitutes the entire and the only legally binding agreement between the Company, Insinger and Ocean and the Directors relating to the Placing Shares.
- 16.3 No variations of this Agreement shall be effective unless made in writing signed by or on behalf of the parties and expressed to be such a variation.
- 16.4 This Agreement may be executed as two or more documents in the same form and execution by all of the parties of at least one of such documents will constitute due execution of this Agreement.
- 16.5 No waiver by any party of any of the requirements of this Agreement or of any of its rights under this Agreement shall have effect unless given in writing signed by a Director of such party. No waiver of any particular breach of the provisions of this Agreement shall operate as a waiver of any repetition of such breach.
- 16.6 Time shall be of the essence in relation to all dates in this Agreement save as extended by mutual agreement between the parties.

- 16.7 The Contracts (Rights of Third Parties) Act 1999 shall not apply to this Agreement and unless specifically herein provided no person other than the parties to this Agreement shall have any rights under it nor shall it be enforceable by any person other than the parties to it.
- 16.8 If the Company has entered into or enters into any agreement or arrangement with any adviser for the purpose of, or in connection with, the Placing and the terms of which provide that the liability of the adviser to the Company or any other person is excluded or limited in any manner and Insinger and Ocean may have joint and/or several liability with such adviser to the Company or to any other person arising out of the performance of its duties under this Agreement, then the Company shall:-
- (a) not be entitled to recover any amounts from Insinger and Ocean in excess of what would have been the net amount of Insinger and Ocean's liability in the absence of such exclusion or limitation; and
  - (b) indemnify Insinger and Ocean in respect of any increased liability to any third party which would not have arisen in the absence of such exclusion or limitation.

## **17. CONFLICT OF PROVISIONS**

- 17.1 The rights and remedies reserved to each of the parties under any provision of this Agreement shall save as expressly provided otherwise be in addition and without prejudice to any other right or remedies reserved to it under the Nominated Adviser Agreement or the Broker Agreement.
- 17.2 To the extent that there is a conflict or inconsistency between the provisions of this Agreement and the Nominated Adviser Agreement or the Broker Agreement the provisions of this Agreement shall prevail.
- 17.3 The Engagement Letters shall remain in full force and effect except as expressly superseded by this Agreement in relation to the Placing.

**18. GOVERNING LAW**

This Agreement shall be governed by and interpreted in accordance with English law and the Parties hereto submit to the non-exclusive jurisdiction of the English courts.

**AS WITNESS** whereof this Agreement has been duly executed the day and year first before written.

**SCHEDULE 1  
DIRECTORS OF THE COMPANY**

**Maximum Liability**

David Rovig	US\$200,000
Brian Bayley	Cdn \$10,000
Rocco Meliambro	Cdn \$10,000
Fernando Mutis	Cdn \$10,000
Attilio Spat	Cdn \$10,000

## **SCHEDULE 2**

### **Warranties**

In this Schedule references to the Company shall (save where the context otherwise requires) be deemed to include an additional and separate reference to each member of the Group.

The Warranties given pursuant to Clause 10.1 of this Agreement are as follows:

#### **1. Form of Announcement and Appendix and Presentation**

- 1.1 All statements of fact contained in the Form of Announcement, Appendix and Presentation are true in all material respects and are not misleading in any material respect to a prospective subscriber for the Placing Shares and all statements, estimates and expressions of opinion, intention and expectation contained in the Form of Announcement, Appendix and Presentation are fairly and honestly given, expressed or held and have been the subject of the due care and attention of the Directors and are either reasonably based upon facts within the knowledge of the Company or any of the Directors or made on reasonable grounds after due and careful consideration of all the information currently available to the Company and the Directors and there are no facts known which would on reasonable enquiry have been known to the Directors or to the Company which are not disclosed in the Form of Announcement or Appendix or in the Public Record or in the Presentation and which either by their omission would make any statement in the Form of Announcement or Appendix or Presentation false or misleading in any material respect .
- 1.2 The Issue Documents contain all information required by, and are in accordance with, and the creation, issue and allotment of the Placing Shares in the manner proposed will comply with, the FSMA, the AIM Rules and the other rules and regulations of the London Stock Exchange, and all other statutes and governmental and regulatory regulations in Canada applicable to the Placing and the Company.
- 1.3 All reasonable enquiries have been made to ascertain and verify the accuracy of all statements of fact contained in the Form of Announcement, Appendix and Presentation.

## **2. Placing Shares**

The allotment and issue of the Placing Shares in accordance with the Issue Documents and the provisions of this Agreement, the publication of the Issue Documents, and the entry into and completion of all arrangements contemplated by this Agreement in accordance with its terms are within the powers of the Company and the Directors without any further sanction or consent of members of the Company or any other person other than shall already have been obtained prior to the entry into of this Agreement or will be obtained prior to Admission and will comply with all applicable requirements of the relevant laws and regulations in Canada and the AIM Rules.

## **3. Working Capital**

- 3.1 The cashflow and working capital projections for the Group referred to or set out in the Working Capital Report have been accurately compiled on assumptions which are reasonably and honestly made and are presented on a basis consistent with the accounting policies normally adopted by the Company.
- 3.2 To the best of the information, knowledge and belief of the Warrantors, having regard to the existing bank facilities available to the Group together with the proceeds of the issue of the Placing Shares the Directors have no reason to believe that the working capital available to the Company will be insufficient for at least twelve months from the date of Admission and all the statements, forecasts, estimates and expressions of opinion or intention which the Directors have made or given as set out in the Working Capital Report have been made after due and careful consideration by the Company and the Directors and, are honest and represent their reasonable expectations on the basis of the assumptions set out in such report and such assumptions are fair and reasonable with regard to the facts known or which would on reasonable enquiry have been known to the Company or any of the Directors and there are no facts known or which would on reasonable enquiry have been known to the Company or to any of the Directors which have not been taken into account in the preparation of such report and which are not disclosed in the said Working Capital Report and the omission of which would make misleading in any material respect any statement therein of fact or opinion.

3.3 All written information of a factual or historic nature supplied by or on behalf of the Company to the Reporting Accountants in connection with their review of the Working Capital Report was given in good faith and was, when given, true in all material respects and no information has been deliberately withheld by the Company or the Directors from the Reporting Accountants for the purposes of such report.

#### 4. **Financial Reporting Procedures**

(a) The Directors have established procedures (which have been reviewed by the Reporting Accountants) which provide a reasonable basis for them to make proper judgements as to the financial position and prospects of the Group.

#### 5. **Accounts**

5.1 The Accounts have been prepared in accordance with generally accepted accounting principles and practices in effect in Canada consistently applied and present fairly, in all material respects, the financial position of the Company on a consolidated basis as at the date thereof and for the periods covered thereby.

5.2 Since the Accounts Date:-

(a) the operations of the Group have been carried on in the ordinary and usual course and there has been no material adverse change in the financial or trading position or prospects of the Group save as disclosed in the Form of Announcement, the Appendix or the Public Record;

(b) none of the members of the Group has, otherwise than in the ordinary course of business, entered into or assumed or incurred any contract, commitment (whether in respect of capital expenditure or otherwise) borrowing, indebtedness in the nature of borrowing, guarantee, liability (including contingent liability) or other obligation of a long term, unusual or onerous nature or which involves or as far as the Warrantors are aware could involve an obligation of a material nature or magnitude save as disclosed in the Form of Announcement, the Appendix or the Public Record;

- (c) no dividend or other distribution has been declared, paid or made by the Company other than as referred to in the Form of Announcement, the Appendix or the Public Record;
- (d) there has been no material resolution of or consent by the members of the Company or any other member of the Group other than as referred to in the Form of Announcement, the Appendix or the Public Record;
- (e) no debtor has been released by the Company or any other member of the Group to an extent which is material in relation to the Group on terms that he pays less than the book value of his debt and no debt of such material amount owing to the Company or any other member of the Group has been deferred, subordinated or written-off or is now thought likely to prove to any material extent irrecoverable.

## **6. Trading**

- 6.1 No company in the Group is a party to, or affected by, any material contract or arrangement otherwise than by way of a bargain at arm's length which is not disclosed in the Public Record or the Issue Documents.
- 6.2 So far as the Warrantors are aware, there are no grounds for rescission, avoidance or repudiation of any agreement or other transaction to which any company in the Group is a party and which is material to the business of such company, and so far as the Warrantors are aware none of such agreements or other transactions are invalid and no company in the Group has received notice of any intention to terminate any such agreement or repudiate or disclaim any such transaction.
- 6.3 So far as the Warrantors are aware, no event has occurred or is subsisting or is about to occur which constitutes or would, with the giving of notice and/or lapse of time, constitute a default, or result in the acceleration by reason of default, of any obligation, under any agreement, undertaking, instrument or arrangement to which any company in the Group is a party or by which it or any of them or any of their respective properties, revenues or assets are bound and which is material to the business of such company in the Group.

6.4 There are no agreements or arrangements in force imposing any material restriction on the Company or any of its directors, officers or employees which would materially adversely affect the ability of the Company to conduct its business in the places and in the manner currently undertaken.

6.5 The Group's computer systems have been satisfactorily maintained and supported.

## **7. Intellectual Property**

The Group's business is not dependent on any Intellectual Property (other than office administration software) or particular contracts of fundamental importance which are not in the ordinary course of its business.

## **8. Share Capital and Constitution**

All sums due in respect of the issued capital of the Company have been paid to and received by the Company and save as disclosed in the Form of Announcement, Appendix or Public Record, there are in force no options or other agreements which call for the issue of, or accord to any person the right to call for the issue of, any shares in or other securities of the Company.

## **9. Verification Notes**

The replies to the Verification Notes are true and accurate in all material respects and not misleading in any material respect and have been prepared or approved by persons reasonably believed by the Directors to have appropriate knowledge and responsibility to enable them properly to provide such replies. All such replies have been given in good faith and any statements of opinion contained in the replies to the Verification Notes are honestly held and are fairly and reasonably based upon facts within the knowledge of the Directors.

## **10. Effect of the Placing on Obligations of the Group**

Neither the creation, allotment or issue of the Placing Shares nor their admission to trading on AIM nor the performance of this Agreement by the Company will exceed or infringe any borrowing limits, powers or restrictions of, or the terms of any contracts, indenture, security, obligation, commitment or arrangement binding upon the Company or any member of the Group or

upon the Group's respective boards of directors or any of its or their properties, revenues or assets or result in the implementation of any right of pre-emption or any other material provision thereof or result in the imposition or variation of any rights or obligations of the Group.

## **11. Litigation**

Save as disclosed in the Public Record or in the Appendix, no member of the Group is engaged in any material litigation or arbitration proceedings and so far as the Directors are aware, having made reasonable internal enquiry, no such proceedings are threatened or pending and there are no circumstances known to any of the Directors which are likely to give rise to any such material litigation or arbitration.

## **12. General**

- 12.1 Neither the Company nor, so far as the Warrantors are aware, any of its officers, agents or employees has committed or omitted to do any act or thing the commission or omission of which is materially in contravention of any law, order or regulation or the like giving rise to any fine, penalty, default proceedings or other liability on the part of the Company and the Company has not committed any material breach of any of the provisions of law, or any anti-trust or anti-monopoly legislation and, so far as the are aware, no officer has committed any such breach in relation to the Company. "Material" for these purposes means material for an investor to know in the context of the Placing.
- 12.2 All subsisting material contracts entered into during the two years prior to the date hereof (other than contracts entered into in the ordinary course of business) by the Company have been disclosed in the Public Record or in the Appendix and no contracts (other than those disclosed which have not yet been entered into and those entered into in the ordinary course of business) will be entered into prior to Admission becoming effective nor will the terms of any such subsisting agreements be varied (other than aforesaid) prior to Admission becoming effective. "Material" for these purposes means material for the investor to know in the context of the Placing.
- 12.3 No member of the Group has taken any action, nor have any other steps been taken or legal proceedings started or, so far as the Company is aware,

threatened against any member of the Group for its winding up or dissolution or for any member of the Group to enter into any arrangement or composition for the benefit of creditors, or for the appointment of a receiver, administrative receiver, trustee or similar officer of any such member or its respective interests, properties, revenues or assets.

- 12.4 So far as the Warrantors are aware, each member of the Group has been duly incorporated and has full corporate power and authority to carry on its business as at the date of this Agreement and has conducted its business in all material respects in accordance with all applicable laws and regulations of British Columbia or any other appropriate foreign country and there has been no violation or default with respect to any statute, regulation, order, decree or judgment of any Court or any governmental agency of British Columbia or any other appropriate foreign country which could have a material adverse effect upon the assets or business of the Group.

**13. No Shadow Directors**

In relation to the Company there is no person who is or could be deemed to be a shadow director within the meaning of section 741 CA.

**14. Subsidiaries**

- 14.1 The Company has no subsidiaries other than those referred to in the Public Record, the Form of Announcement or the Appendix.
- 14.2 The Company is the beneficial owner (directly or indirectly), free from all claims and encumbrances whatsoever, of the whole of the issued share capital of its subsidiaries.

**15. Directors**

- 15.1 The answers given by each Director to Insinger in his director's questionnaire and the answers given by each Director in his declaration of business activities are true and accurate in all material respects and no further information has been withheld which would make such answers misleading.
- 15.2 All relevant details and information concerning the Directors which is required to be included in the Form of Announcement by the AIM Rules and the POS

Regulations, including (without limitation) the information required by Schedule 2 Rule (F) and Rule 15 of the AIM Rules and details of their respective business liabilities, interests, qualifications and experience and their respective interests (if any) in the share capital of the Company and in contracts with the Company, are fully and accurately described in the Form of Announcement and the Appendix.

- 15.3 The Directors have had explained to them the nature of their responsibilities and obligations as directors of a quoted company under the AIM Rules and comprehend the same.

**16. Pensions**

Save as specifically referred to in the service agreements and/or the terms and conditions of employment of employees of the Group, no company in the Group is under any legal liability or voluntary commitment to pay or make any contribution in respect of any pension or other retirement, death or disability benefit to any person.

**17. Records and Filings**

The Public Record contains all information concerning the Company required to be published by the laws and regulations of Canada, British Columbia or any other laws and regulations of any jurisdiction in each case applicable to the Company or its activities, and the Warrantors confirm, having made due and careful enquiry, that the Company has adhered to all legal and regulatory requirements for its Common Shares to be traded upon the Toronto Stock Exchange, including without prejudice to the generality of the foregoing, full compliance with National Instrument 43-101, "Standards of Disclosure for Mineral Projects" issued by the Canadian securities Administrators..

**18. Licences and Permissions**

Each Group Company has obtained all material licences, permissions, authorisations, concessions, approvals and consents required for the carrying on of its business in each jurisdiction its business is presently being conducted in all material respects in compliance with such licences, permissions, authorisations, concessions, approvals and consents and such licences,

permissions, authorisations, concessions, approvals and consents are in full force and effect and to the best of the knowledge and belief of the Warrantors there are no circumstances which indicate that any of such licences, permissions, authorisations, concessions, approvals or consents may be revoked or not renewed, in whole or in part, in the ordinary course of events.

#### 19. **Insurances**

Each Group Company has valid insurances in full force and effect in respect of all its assets and business against all the risks which are normally insured against by other companies carrying on the same or similar businesses as those carried on by such company. The Warrantors consider that such insurances provide satisfactory cover against the risks of business of the Group in accordance with good commercial mining practice. No Group Company has done or omitted to do or suffered anything to be done or not to be done, nor are there any circumstances or events occurring, which might render any policies of insurance effected void or voidable.

**SIGNED** by  
duly authorised for and on  
behalf of **OCEAN EQUITIES LIMITED**

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**SIGNED** by  
duly authorised for and on  
behalf of **GREYSTAR RESOURCES LIMITED**

)  
)  
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**SIGNED** by **DAVID ROVIG**

) 

**SIGNED** by **BRIAN BAYLEY**

) 

**SIGNED** by **ROCCO MELIAMBRO**

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**SIGNED** by **FERNANDO MUTIS**

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**SIGNED** by **ATTILIO SPAT**

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**SIGNED** by **STEPHEN GOSCHALL**  
duly authorised for and on  
behalf of **INSINGER DE BEAUFORT**

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