PURE GOLD MINERALS INC. T.PUG

August 10, 2004

VIA EMAIL

De Beers Canada Exploration Inc.
Suite 400 – 65 Overlea Boulevard
Toronto, Ontario M4H 1P1

Attention: Mr. John G. Hughes, Senior Vice President – New Business Development

Dear John:

Re: Colville Lake Project, Northwest Territories

Set out below are the terms and conditions upon which Pure Gold Minerals Inc. ("Pure Gold") is prepared to enter into an option agreement with De Beers Canada Exploration Inc. (the "Owner") to acquire an 85% interest in certain mineral properties located in the Northwest Territories.

The Owner owns or controls an interest in certain mineral properties in the Northwest Territories of Canada referred to as the "Colville Lake Project" (the "Properties") and certain data and other information (the "Information") related to the Properties. The Properties are more particularly described in Schedule "A" to this Agreement which depicts an "Area of Mutual Interest" containing the Properties. The Parties acknowledge that the Owner is deemed to have made expenditures to date on the Properties in the amount of C$691,000.00.

Now therefore in consideration of the sum of C$10.00 paid by each Party to the other and other good and valuable consideration (the delivery and sufficiency of which is hereby acknowledged by both Parties) the Parties covenant and agree as follows:

1. Conditions Precedent. This Agreement and the obligations of Pure Gold are subject to the satisfaction or waiver by Pure Gold of the following conditions precedent:

(a) Pure Gold to complete due diligence ("Due Diligence") within thirty (30) days;

1255 West Pender Street
Vancouver, British Columbia, Canada, V6E 2V1
Tel.: (604) 687-2038 Fax.: (604) 687-3141

(b) the approval of this Agreement by the board of directors of each of the Parties; the approval of this Agreement by the TSX Exchange.

Term. Unless sooner terminated as provided in this Agreement, this Agreement shall commence as of the date hereof and shall continue until midnight on June 31, 2007 (the “Term”).

2. Grant of Option and Other Rights. Subject to the conditions precedent contained in section 1 of this Agreement, the Owner grants to Pure Gold, during the term of this Agreement, the following:

(a) the sole and exclusive right for Pure Gold, its successors and assigns to acquire an undivided 85% interest in the Properties (the “Option”) and to enter into an exploration joint venture agreement with the Owner attached as Schedule “B” to this Agreement (the “Joint Venture Agreement”) by making the Exploration Expenditures (as defined herein) as described in section 4 of this Agreement;

(b) the exclusive right at its own risk and expense to enter onto the Properties and to conduct the Due Diligence and such prospecting exploration and evaluation operations as Pure Gold in its sole discretion may determine appropriate to determine the presence, location, quantity, quality and value of minerals contained in the Properties (the “Pure Gold Operations”);

(c) the right to obtain such permits, approvals and other federal, provincial, territorial and local governmental authorizations as Pure Gold deems necessary to conduct the Due Diligence and the Pure Gold Operations; and

(d) to the extent it is legally entitled to do so, the right to use all surface rights owned or controlled by the Owner (or its subsidiaries), if any, including easements and rights of way for ingress and egress to and from the Properties and to exercise all other rights that are or may be incidental to any or all of the rights granted to Pure Gold in this Agreement.

The Owner agrees to cooperate with Pure Gold in obtaining, furthering or as otherwise required to give effect to the foregoing grants.

3. Exploration Expenditures. In order to maintain its interest under this Agreement and its right to exercise the Option, Pure Gold shall make or shall cause to be made Exploration Expenditures in the amount of C$3,950,000.00. Such Exploration Expenditures are to be made as follows:

(a) A minimum of C$750,000.00 by December 31, 2004. Such Exploration Expenditures shall include a minimum of C$300,000.00 for airborne magnetic survey with the balance to be expended on ground exploration, sampling and related interpretive analysis or as otherwise required in accordance with the maintenance of the interests and rights to the Properties.

(b) A further C$1,200,000.00 or such lesser amount as is required to maintain the interests and rights to the Properties during the 2005 calendar year.

(c) A further C$2,000,000.00 or such lesser amount as is required to maintain the interests and rights to the Properties until the end of the 2006 calendar year.

Pure Gold shall provide written notice to the Owner by no later than March 1 of each calendar year of this Agreement confirming if Pure Gold has met the previous calendar year's Exploration Expenditures and of its intention to continue with the next year's Exploration Expenditures and other commitments as contained herein.

If Pure Gold pays in any period specified above more than the amount of Exploration Expenditures for such period, the excess amount shall be carried forward and applied to the Exploration Expenditures to be made in the subsequent period or periods.

For the purposes of this Agreement "Exploration Expenditures" shall mean the sum of:

(a) all costs and expenses reasonably incurred by or on behalf of Pure Gold in conducting due diligence and the operation of the Properties including without limitation the costs and expenses identified in Costs as defined under the Joint Venture Agreement;

(b) all costs incurred by Pure Gold in acquiring any additional Properties pursuant to section 9 of this Agreement including without limitation exploration and due diligence costs.

4. Grant of Option and Related Matters. Provided Pure Gold has exercised the Option, Pure Gold, together with its successors and assigns, shall have the sole and exclusive right to acquire additional interest in the Properties by incurring additional Exploration Expenditures on a straight line earn-in/dilution formula basis as and when the Owner elects to dilute its interest.

5. Exercise of Option. Provided Pure Gold has made the Exploration Expenditures as described in section 4 within the specified time periods and is not otherwise in violation of the terms of this Agreement, Pure Gold shall have the right to exercise the Option for no additional consideration and to be vested with 85% of the Owner's interest

in the Properties. Pure Gold shall exercise the Option by giving written notice to the Owner of its election at any time prior to the expiry of the Term. Within 10 days of receipt by the Owner of such notice, a closing will be held (the “Closing”) at which time the Owner shall execute and deliver to Pure Gold an assignment and conveyance of the undivided 85% interest in the Properties. Pure Gold and the Owner shall execute and deliver to each other an original counterpart of the Joint Venture Agreement. Pure Gold and the Owner shall execute and deliver to each other such further agreements or documents as may be reasonably required to consummate the transactions contemplated by this provision.

6. Operatorship. Once a joint venture has been formed, the majority party at any time shall be the Operator, whether of the joint venture or of any Development Properties contemplated below. The Operator will be responsible for all mining operations and for the marketing of all diamond production on commercial terms.

7. Production Funding. The Operator, whether Pure Gold or the Owner in a particular instance, will use its best endeavors to procure non-recourse project funding from lending institutions for each development project. The parties will provide their pro-rata share of equity funding for each project to the extent that external facilities fall short of the full funding requirements of the project.

8. Royalty. Both parties agree that as soon as any one party’s undivided interest in the Properties reduces to 5%, such interest will convert into a 1% Diamond Royalty. An example of such a royalty calculation is attached hereto as Schedule C.

9. Reduction of Properties. Provided Pure Gold is not in violation of the terms of this Agreement, Pure Gold shall have the right to notify and direct the Owner to release such mineral claims or permits forming part of the Properties as Pure Gold shall, in its sole discretion, determine. Pure Gold shall deliver written notice of such direction to the Owner as soon as possible and in any event by no later than December 31 of each year of this Agreement. In any event upon delivery of such direction to the Owner, the mineral claims and permits identified therein shall no longer form part of this Agreement as at December 31 of such year. The Owner, upon receipt of this notice, shall have the right to maintain such mineral claims or permits on the Owner’s sole behalf and responsibility outside of this Agreement or to release such mineral claims or permits.

10. Operations. Pure Gold shall perform all Due Diligence and all Pure Gold Operations on the Properties in a good and workmanlike manner and in material compliance with all applicable federal, provincial, territorial, and local laws and regulations. For so long thereafter as this Agreement remains in effect, Owner shall limit or discontinue its own operations on the Properties to the extent such operations are not, in the reasonable judgment of Pure Gold, consistent with the Due Diligence or the Pure Gold Operations. Any operations conducted by Owner shall be coordinated with Pure Gold.

11. Exploration Committee During Option Period. The Parties agree to form an exploration committee for the purposes of designing and implementing effective exploration and development programs with respect to the Properties during the term of the Option Period. The exploration committee shall consist of two representatives of Pure Gold (one of whom shall be the chairperson) and one representative of the Owner. The exploration committee shall meet at least once per each fiscal quarter and at least once a month when field operations are being conducted or such other times as may be agreed to by the members of the exploration committee and the Parties hereto. The exploration committee shall draft and deliver reports to the Parties within seven (7) working days of each meeting and a formal annual report within sixty (60) days of the expiry of each calendar year. Pure Gold will record minutes of each meeting of the exploration committee and shall distribute the minutes of each meeting to the Owner within fifteen (15) days of any meeting.

12. Reporting Requirements. Pure Gold shall deliver to the Owner the following reports and summaries:

(a) Annual Reports. Pure Gold shall deliver to the Owner the formal annual report within sixty (60) days of the conclusion of each calendar year during the term of this Agreement setting out all pertinent information with regard to the previous year's operations, explorations and other matters including without limitation all data and results obtained and Pure Gold's interpretation of such results as well as statements of exploration expenditures;

(b) Quarterly Reports. Pure Gold shall deliver to the Owner within thirty (30) days of the completion of each fiscal quarter, a report setting out the operations, exploration activities and expenditures for the previous quarter including without limitation all data and results obtained and Pure Gold's interpretation of such results as well as statements of exploration expenditures; and

(c) Monthly Summaries. Pure Gold shall deliver to the Owner monthly summaries within fifteen (15) days of the conclusion of each month setting out an overview of the pertinent details relating to the previous month's activities including without limitation all data and results obtained and Pure Gold's interpretation of such results as well as statements of exploration expenditures.

Area of Mutual Interest. The Parties agree that any claim, right, permit or other mineral interest acquired by one Party in the Area of Mutual Interest shall be acquired for the benefit of both Parties and shall form part of the Properties and subject to the terms and conditions of this Agreement.

13. <u>Joint Venture Agreement and Owner Back-in Option.</u> In the event the Option has been exercised and the parties have entered into a joint venture agreement as set out in Schedule "B", the Owner shall have a back-in option on the following terms and conditions. In each instance that a Feasibility Report is completed and accepted by the Management Committee that indicates the existence of a mineral reserve with a net present value in excess of C$750,000,000.00, then the Owner shall have a one time option (the "Back In Option") to:

(a) have those Properties containing all the mineral deposits that constitute the identified mineral reserve described and identified in the Feasibility Report removed from the Joint Venture (the "Development Properties");

(b) have the Development Properties made subject to a further joint venture agreement between the Parties (the "Development Joint Venture Agreement"); and

(c) acquire a 70% interest in the Development Properties and become the Operator

The Owner may exercise the Back-In Option by:

(a) delivering written notice to Pure Gold in accordance with the terms of Article 10 of the Joint Venture Agreement;

(b) delivering to Pure Gold that amount which is equal to two times that percentage of the Costs and Deemed Expenditures incurred by Pure Gold under the terms of this Agreement, the Joint Venture Agreement or as otherwise relate to the mineral deposits identified in the Feasibility Report or the Development Properties and as verified by independent accountants equal to the difference between Pure Gold's interest in the properties before and after the exercise of the Back-in option..

Upon exercise of the Back In Option and completion of the associated closing, the Owner shall be entitled to an undivided 70% interest in the Development Properties with Pure Gold holding the remaining undivided 30% interest. The amount of the exercise price paid by the Owner as referenced above shall be the basis for the aggregate Deemed Expenditures under the Development Joint Venture Agreement.

In the event that the Back In Option is exercised and a Development Joint Venture Agreement is entered into, the balance of the Properties (ie. the non-Development Properties) shall continue to remain subject to the Joint Venture Agreement or shall continue to be held by Pure Gold provided the Option has been exercised and, if the Joint Venture Agreement is in effect Pure Gold shall remain as the Operator there under and the aggregate Deemed Expenditures will become the remainder of all Costs and Deemed Expenditures associated with the Properties less the actual Costs and Deemed Expenditures associated with the Development Properties (for greater certainty, this shall be equal to one-half the exercise price for the Back In Option described above).

14. Relationship of the Parties. Nothing contained in this Agreement shall be deemed to constitute either Party the partner of the other nor, except as otherwise herein expressly provided, to constitute either Party the agent or legal representative of the other, nor to create any fiduciary relationship between them. It is not the intention of the Parties to create, nor shall this Agreement be construed to create, any mining, commercial or other partnership. Neither Party shall have any authority to act for or to assume any obligation or responsibility on behalf of the other Party, except as otherwise expressly provided herein.

Notwithstanding the foregoing, it is the Parties shall make good faith efforts to work together to utilize their respective expertise and positions within the mining industry to create beneficial results for both Parties.

15. Information

(a) Confidentiality. Each Party agrees to keep confidential all information provided to it by the other Party pursuant to this Agreement and not to disclose any such information to any third party without the prior written consent of the providing Party; provided, however, this provision shall not apply to information which otherwise comes into the public domain other than through the breach by a Party of its obligations under this Agreement. Confidential information received by a Party from the other Party may be disclosed:

(i) to an affiliate, employee, officer, agent or consultant of the Party,

(ii) to a potential buyer of the Party’s interest in this Agreement or the Properties (but only after obligating the third party to whom disclosure is being made to a written confidentiality agreement that binds such third party at least to the same extent each Party is obligated under this Agreement and providing a copy of the same to the non-disclosing Party), and

(iii) if and to the extent required in the ordinary course of events under any applicable law, regulation, court order or other legal requirement. This provision shall remain in force during the term of this Agreement or until December 31, 2007, whichever is longer.

(b) Access to Information.

(i) To Pure Gold's Information. In addition to the reporting requirements imposed by Section 3 of this Agreement, Pure Gold shall keep books and records of the Exploration Expenditures incurred by it. By March 1 of each calendar year during the Term of this Agreement, Pure Gold shall provide to the Owner a report describing the Pure Gold Operations and the Exploration Expenditures made during the previous calendar year (or part thereof) as prescribed by section 3. Once each calendar year, upon reasonable advance notice to Pure Gold, the Owner may, at its sole cost and expense, audit such books and records related to Exploration Expenditures.

(ii) To Owner's Information. Promptly following execution of this Agreement, to the extent not previously so done, the Owner shall provide to Pure Gold full and complete access to all of the Information in its control relating to the Properties to enable Pure Gold to fully evaluate the Properties for the presence of potentially valuable mineral deposits. Owner shall continue to make the Information available to Pure Gold at all reasonable times during the term of this Agreement.

(c) No Warranty. It is agreed between the Parties that any technical, economic or geological information of any nature provided to, or made available by one Party to the other under this Agreement is or will be provided without an express or implied warranty as to its completeness or accuracy for any purpose and use of such information shall be at the sole risk of the Party using the same.

16. General Representations and Warranties**.** Each Party represents and warrants to the other Party that it is a corporation duly organized, validly existing, and in good standing in the jurisdiction of its incorporation and it has the corporate power and authority and has taken all necessary corporate action, to authorize the execution and delivery of this Agreement and the other agreements and instruments to be executed and delivered in connection herewith and to undertake the performance by it of its respective obligations under this Agreement.

17. Additional Representations by Owner. Owner further represents and warrants to Pure Gold that, except as set forth in Schedule "A":

(a) Owner owns the entire undivided interest in the Properties, subject only to the leases, options, or other agreements (collectively, the "Ownership Agreements") identified in Part II of Schedule "A";

(b) to Owner's knowledge, all taxes, fees, rentals, royalties and other payments and all filings necessary to maintain the Properties have been properly and timely made and performed, as appropriate;

(c) there are no pending or threatened actions, suits, claims, or proceedings, and Owner has not received any notice of violation or agency claim alleging any violation of any law, rule, regulation or permit, with respect to the Properties;

(d) except for the Ownership Agreements, Owner has no contractual commitments or obligations which relate to or affect the Properties and no third party consent is necessary for Owner to enter into or perform its obligations under this Agreement; and

(e) Owner has not caused, allowed, or knows of the generation, treatment, storage, or disposal of hazardous materials on the Properties or the violation of any law, rule, regulation or order for the protection of health, safety or the environment with respect to the Properties, which in any case has not been properly remedied.

18. Property Maintenance Obligations; Protection from Liens. During the term of this Agreement:

(a) Provided the conditions precedent set out in section 1 have been satisfied or waived, Pure Gold agrees to make all payments first becoming due after the date hereof that are necessary to maintain the Properties, including all payments for real property taxes assessed against the Properties after the date hereof and all lease or option payments first becoming due under the Agreements after the date hereof (provided that Pure Gold shall not be responsible for any taxes or payments accruing, but that do not become due and payable later than 90 days after termination of this Agreement) other than amounts required or related to the posting of bonds required at the beginning of each year pursuant to the terms of the mineral claims and permits. Pure Gold's obligations with respect to maintenance of the Properties shall be limited to maintenance of the Properties in the condition existing as of the date hereof and Pure Gold shall not be required to cure any defects in title then existing. The Owner shall in a timely fashion seek the renewal or extension of any leases, permits or other agreements under which the Properties are held. Pure Gold does not commit to make any portion of the Exploration Expenditures on any particular portion of the Properties. All payments made by Pure Gold under this provision shall be recorded Exploration Expenditures.

(b) Each Party represents and warrants to the other that it shall not permit any lien resulting from its operations to be placed on or remain against this Agreement or the Properties, other than liens provided by law (such as taxes, worker's and materialmen's liens) for which payment is not yet due. A Party shall not be required to remove any such lien so long as it is contesting the validity or the amount thereof.

(c) Each Party further represents and warrants to the other that it shall not transfer, abandon or encumber any interest it now owns or may hereafter acquire in the Properties except as expressly allowed in this Agreement without the prior written consent of the other Party, which consent shall not be unreasonably withheld.

19. Events of Termination. This Agreement may be terminated:

(a) by Pure Gold prior to the exercise of the Option upon 10 days' prior written notice from Pure Gold to Owner;

(b) by Owner due to a failure or default on the part of Pure Gold that remains uncured as provided in section 20;

(c) by Pure Gold due to a failure or default on the part of Owner that remains uncured as provided in section 20;

(d) by the Parties by mutual agreement;

(e) by exercise of the Option by Pure Gold and completion of the Closing; or

(f) by effluction of time.

Except in the case of termination by Pure Gold by exercise of the Option, upon termination Pure Gold shall execute and deliver to Owner a quit claim deed in recordable form, quit claiming any and all interest of Pure Gold in the Properties.

20. Allocation of Liabilities.

(a) To Owner. Unless and until Pure Gold exercises the Option, Owner shall be solely responsible for and shall indemnify defend and hold harmless Pure Gold and its affiliates and each of their officers, directors, employees, agents, servants, and contractors, against all obligations and liabilities, whether known or unknown, arising under or in connection with any law, regulation, permit, approval, contract or other matter, including those arising under any environmental law, in any way affecting or relating to the

Properties, which at any time arises with respect to its operations on the Properties or conditions or matters occurring or existing on the Properties as of the date hereof or that arise out of operations conducted by Owner or its affiliates thereafter. If Pure Gold exercises the Option, except to the extent the existence of such obligations and liabilities constitutes a breach of a representation or warranty under this Agreement, the obligations and liabilities shall become obligations and liabilities of the Parties and shall be allocated to the Parties and third parties pursuant to the terms of the Venture Agreement and any successor agreements.

(b) To Pure Gold. Unless and until Pure Gold exercises the Option, Pure Gold shall be solely responsible for and shall indemnify defend and hold harmless Owner and its affiliates and each of their officers, directors, employees, agents, servants, and contractors, against all obligations and liabilities, whether known or unknown, arising under or in connection with any law, regulation, permit, approval, contract or other matter, including those arising under any environmental law, in any way affecting or relating to the Properties, which at any time arises with respect to the Due Diligence or Pure Gold Operations on the Properties. If Pure Gold exercises the Option, except to the extent the existence of such obligations and liabilities constitutes a breach of a representation or warranty under this Agreement, the obligations and liabilities shall be come obligations and liabilities of the Parties and shall be allocated to the Parties and third parties pursuant to the terms of the Joint Venture Agreement and any successor agreements.

21. Indemnification. Except as otherwise provided in this Agreement, each Party hereby agrees to indemnify, defend and hold harmless the other Party, its affiliates and each of their officers, directors, employees, agents, servants, and contractors, from any and all losses, costs, expenses, actions, awards, judgments, fines, penalties, and other liabilities whatsoever, arising in connection with the liability allocated to such Party under this Agreement or with respect to any breach of this Agreement. Each Party waives any claim for damages for lost profits or for the speculative value or development potential of the Properties.

22. Default. If either Party believes that the other Party has failed to perform any of its obligations or exercise any of its rights (including, in particular, Pure Gold's right to maintain its interest under this Agreement by making Exploration Expenditures) such Party may provide the other Party with a notice, specifically captioned a "Notice of Default" and setting forth in reasonable detail the basis for such belief and the actions or actions the Party believes would cure such default. If the Party alleged to be in default does not cure such failure within 30 days, or if such default cannot reasonably be cured within 30 days, does not commence to cure the same within such period or thereafter does not diligently proceed to cure the same, the nondefaulting Party may exercise its

rights under law or equity except as otherwise expressly provided in this Agreement. If the Party that is alleged to be in default disputes the existence of the default, the Party alleging the default must secure a determination from a court of competent jurisdiction that a default has, in fact, occurred. If such a determination is made, unless the defaulting Party cures or commences to cure such default as provided above following the final judicial determination, the nondefaulting Party may terminate this Agreement.

23. Waivers, Delays and Omissions**.** No failure, delay or omission to exercise any right, power or remedy accruing to any Party under this Agreement shall impair any such right, power, or remedy nor shall it be construed to be a waiver of any such breach or default, or any acquiescence therein, for any similar breach or default thereafter occurring.

24. Force Majeure**.** Neither Party shall be responsible for any delay (whether material or not) in or failure of any performance or obligation under this Agreement, save and except for a financial obligation due to any cause beyond the reasonable control of such Party, including, but not limited to, any act of God; any failure of transportation facilities; strikes or labour controversies of any nature (but in no event shall a Party be required to settle any such strike or controversy); explosions; fires; floods; accidents to personnel or equipment; wars (domestic or foreign); riots; revolutions; rebellions; blockades; embargoes; applicable foreign or domestic governmental acts, restrictions, requisition, regulations, or orders (whether or not later proved to be invalid); and any other causes or occurrences of any nature beyond a Party's control, whether similar or dissimilar to the foregoing. If a Party suffers any such event, it may provide notice to the other Party of such event. If so declared, the obligations of the Party so affected shall be suspended pending the termination of such event, and any time deadlines shall be extended by the period of such event, unless the Parties otherwise agree.

25. Notices. Any notices or other required communications between the Parties shall be in writing and delivered by registered mail, return receipt requested, by personal delivery, by facsimile transmission or by commercial courier. Delivery shall be effective on receipt. All such notices or communications shall be addressed as follows, provided that either Party may change its address at any time by notice given in the manner described above:

To Pure Gold	With a copy to:
Pure Gold Minerals Inc. 1255 West Pender Street Vancouver, B. C., Canada V6E 2V1 Attn: Gordon Keevil Tel: (604) 687-2038 Fax: (604) 687-3131	Taylor Wray Business Lawyers 470 Granville Street, Suite 218 Vancouver, B.C, Canada V6C 1V5 Attn: Ian MacLeod Tel: (604) 662-8373 Fax: (604) 662-8321
To Owner:	With a copy to:
De Beers Canada Exploration Inc. Suite 400 65 Overlea Boulevard Toronto, ON, Canada M4H 1P1 Attn: Mr. John G. Hughes Tel: (416) 645-1710 Fax: (416) 356-2644	Fasken Martineau Du Moulin LLP TD Bank Tower, Box 20 Suite 4200 Toronto, ON, Canada M5K 1N6 Attn: Robert Shirriff Tel: (416) 865-4434 Fax: (416) 364-7813

26. Miscellaneous.

(a) Amendment of Agreement. This Agreement may only be amended or modified by a document in writing executed by the Parties. Nothing in this Agreement shall impose any obligations or covenants, express or implied, to conduct any particular level or degree of exploration, development or mining operations upon the Properties, except as otherwise except as expressly required by this Agreement.

(b) Governing Law. This Agreement shall be construed and interpreted in accordance with, governed and enforced in all respects by the laws of the Province of Ontario.

(c) Severability. If any provision of this Agreement is held to be invalid or unenforceable, the remainder of this Agreement shall continue in full force and effect.

(d) Press Releases. Neither Party shall issue any press release or make any public announcement relating to the subject matter of this Agreement prior to the Closing without the prior written approval of the other; provided, however, that either Party may make any public disclosure it believes in good faith is required by applicable law or any listing or trading agreement concerning its publicly traded securities (in which case the disclosing Party will advise the other Party prior to making the disclosure and shall provide the other Party with an advance copy of such required disclosure, it being agreed that the extent and content of such required disclosure shall be strictly limited to the requirements of applicable laws, listings or trading agreements).

(e) Further Assurances. Each of the Parties hereto agrees that from time to time, at the request of the other Party hereto and without further consideration, it will execute and deliver such other documents and take such other actions as counsel for such other Party reasonably requests in order to consummate more effectively the transactions contemplated hereby.

(f) Assignment. Neither Party shall have the right to transfer its rights under this Agreement, in whole or in part, without a consent to the other save and except a transfer to an Affiliate as defined under the Canada Business Corporations Act provided that (i) any such permitted transfer shall be expressly subject to this Agreement and to all rights of the other Party, its successors and assigns; and (ii) the transferee acknowledges the same in writing prior to completion of the transfer.

(g) Other Business Opportunities. Each Party shall have the right independently to engage in and receive the sole benefit from other business activities, whether or not competitive with those of the other Party and whether or not arising out of activities undertaken pursuant to this Agreement, and neither Party shall have any obligation whatsoever to the other with respect to any property acquired at any time outside of the Area of Interest.

(h) No Third-Party Beneficiaries. Except as expressly provided in this Agreement, this Agreement shall not confer any rights or remedies upon any third party.

(i) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument. The Parties agree that signatures transmitted by facsimile transmission shall constitute original signatures and that an Agreement transmitted by facsimile and containing the signatures (original or transmitted) of both Parties shall be binding.

(j) Disputes. All disputes will be dealt with through arbitration in accordance with the arbitration rules of the Northwest Territories.

(k) Entire Agreement. This Agreement contains the entire understanding of the Parties and supersedes all prior agreements and understandings between the Parties relating to the subject matter hereof.

Executed to be effective as of the date first written above.

DE BEERS CANADA EXPLORATION INC.

(signed) "John G. Hughes"

By: John G. Hughes
Its: SVP – New Business Development

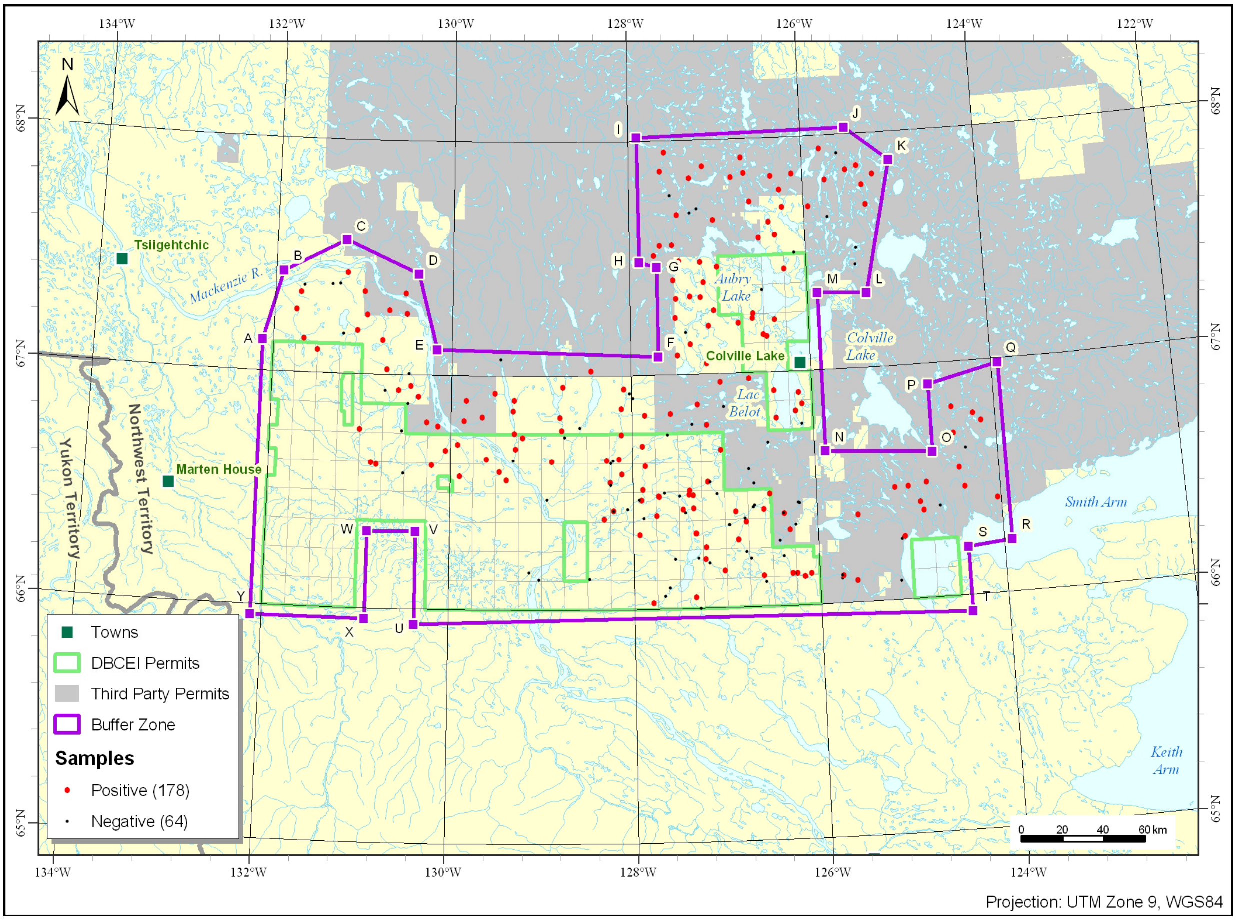
PURE GOLD MINERALS INC.

(signed) "Donald R. Sheldon"

By: Donald R. Sheldon
Its: President

SCHEDULE A

Part One – Area of Mutual Interest



SCHEDULE A

Part Two – Corner Co-ordinates of Area of Mutual Interest

PointName	Latitude	Longitude
A	67.131754006	-132.116954022
B	67.428927006	-131.915143022
C	67.568642006	-131.214348022
D	67.431145006	-130.384927021
E	67.109577006	-130.165374021
F	67.078529006	-127.697068018
G	67.459975006	-127.692633018
H	67.482152006	-127.894444019
I	68.016619007	-127.901097019
J	68.027707007	-125.488234016
K	67.879121006	-124.998122016
L	67.315824006	-125.332995016
M	67.326912006	-125.885204017
N	66.652730005	-125.882986017
O	66.621682005	-124.712038016
P	66.909984005	-124.716473016
Q	66.983168006	-123.926970015
R	66.224713005	-123.911446015
S	66.206971005	-124.390470015
T	65.931355005	-124.390007015
U	65.936092005	-130.364061021
V	66.331163005	-130.367185021
W	66.328945005	-130.890564021
X	65.954153005	-130.894999021
Y	65.956371005	-132.112519022

SCHEDULE A

Part Three – Listing of De Beers Permits within Area of Mutual Interest

Permit Number
3496
3495
3500
3499
3498
3497
3502
3501
3493
3491
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3616
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3492
3598
3597
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Permit Number
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Permit Number
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Permit Number
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SCHEDULE B

EXPLORATION JOINT VENTURE AGREEMENT

1. A Management Committee will be responsible for approving work programs and budgets and for determining the general policies and direction to be adopted by the Operator. The Management Committee will consist of one representative and one alternate from each Party. Each of the Parties will vote at the Management Committee meetings according to its then-current Joint Venture interest. Decisions of the Management Committee require a simple majority of votes.

2. The Operator shall present a work program and budget, as soon as possible for the first year and no later than October 15 for each following calendar year to the Management Committee for approval. Programs and budgets will be reviewed and voted upon by the Management Committee within thirty (30) days of their presentation to the Management Committee by the Operator. Management Committee meetings may be held by teleconference or videoconference provided that both representatives agree.

3. The Operator shall be the party which has the larger Joint Venture interest.

4. Within thirty (30) days after the approval of a work program by the Management Committee, each Party will elect whether or not it will fund its proportionate share of all Joint Venture expenses required to complete the work program.

5. Cash calls for approved work programs shall be issued quarterly in advance by the Operator. If a Party elects not to contribute to a program and budget approved by the Management Committee (the "Non-Contributing Party") and the other Party pays the Non-Contributing Party's proportionate share as well as its own, then the Non-Contributing Party's Joint Venture interest will be adjusted in accordance with the following formula:

$$\text{A Party's Joint Venture Interest} = \frac{[\ (\%X) + Y\ ]}{[\ X+Z\ ]} \times 100$$

where the terms:

"%" means, in the case of De Beers – 60% and in the case of Pele Mountain – 40%;

"X" means the total expenditures incurred on the property by Pele Mountain and by De Beers from the Effective Date to the formation of the Joint Venture pursuant to the Strategic Alliance Agreement;

"Y" means the total expenditures incurred by such Party on the property after the formation of the Joint Venture; and

"Z" means the total expenditures incurred by both Parties on the property after the formation of the Joint Venture.

6. If a Party has elected to participate in an approved program and budget, but fails to pay its proportionate share of costs (a "Defaulting Party") and the other party pays the Defaulting Party's proportionate share as well as its own, then the Defaulting Party's Joint Venture interest shall be reduced in accordance with the formula described above by adding to the item "Y" of the non-defaulting Party's Joint Venture interest calculation under the said formula an amount equal to two (2) times the amount in default and adding the same amount to the item "Z" in both Parties' formulae in calculating the Parties' Joint Venture Interests.

7. "Feasibility Study" means a detailed written report of the theoretical design, construction and operation of a mine over its projected life including, without limitation, a report on engineering details of the mine, mill and other relevant plant, equipment and infrastructure, which indicates whether such mine will be economically profitable having regard to net present value and IRR calculations where the relevant calculations are based on an indicated resource as defined in the Canadian Institute of Mining, Metallurgy and Petroleum Standards on Mineral Resources and Reserves Definitions and Guidelines and the accuracy of cost estimates are in a range of -10% to +15%. Such report will include an estimated annual payment schedule for all mine construction costs, a pro forma analysis of the expected revenues to be generated and shall include such financial information and technical standards as one sufficient to enable major institutional lenders experienced in mining financings to make a decision whether to provide project financing for the said mine;.

8. The Operator with the consent of the Management Committee or any Party having at least a five percent (5%) Joint Venture interest at its own cost shall have the right to prepare and submit a Feasibility Study to the Parties or to the other Party, as the case may be.

9. On the completion of a Feasibility Study which shows a project return on forecast invested capital of at least 15% each Party shall elect whether it will;

(a) participate in development and production by funding its share of Expenditures required to implement the recommendations of the Feasibility Study in accordance with cash calls made by the Operator; or

(b) not participate in development and production by funding its share of expenditures required to implement the recommendations of the Feasibility Study; or

(c) attempt to sell, subject to the other Party's right of first refusal, all of its Joint Venture interest to a third party willing to participate in development and production in place of the selling Party.

10. A Party electing not to participate or who fails to sell all of its Joint Venture interest within one-hundred and eighty (180) days after its election to do so, shall convert its Joint Venture interest to a one percent (1%) Royalty interest.

11. Except as otherwise provided hereunder if a Party desires to sell, assign, or transfer all or any part of its interest in this Agreement, or the assets of the Joint Venture to anyone other than an affiliate (the "Sale Interest"), the other Party shall have a pre-emptive right to acquire such Sale Interest as follows:

(a) a Party intending to sell, assign or transfer the Sale Interest must have a third party offer in hand and shall promptly notify the other Party of its intentions. The Notice shall state the price in cash (the "Purchase Price") and all other pertinent terms and conditions of the intended transfer. The Notice shall be accompanied by a copy of the offer or contract for sale. If the third party offer consideration is comprised partly of non-cash, the Notice shall contain the fair cash equivalent of such non-cash consideration and the means and methods used to calculate such fair cash equivalent. The other Party shall have sixty (60) days after the date such Notice is delivered to notify the transferring Party whether it elects to acquire the offered Sale Interest at the same Purchase Price in cash and otherwise on the same terms and conditions as set forth in the Notice. If it does so elect, the transfer shall be consummated promptly after Notice of such election is delivered to the transferring Party;

(b) if the other Party elects not to acquire the offered Sale Interest or fails to so elect within the sixty (60) day period provided above, the transferring Party shall have ninety (90) days following the earlier of (i) the date of expiration of the above-mentioned sixty (60) day period or (ii) the date when the other Party elected not to purchase the Sale Interest, to consummate the transfer to a third Party at a price at least equal to the Purchase Price and on terms no less favourable to the transferring Party than those offered by the transferring Party to the other Party in the Notice required herein; and

(c) if the transferring Party fails to consummate the transfer to a third Party within the said ninety (90) day period, then the pre-emptive right of the other Party in such offered Sale Interest shall be deemed to be revived. Any subsequent proposal to transfer such Sale Interest shall be conducted in accordance with all the procedures set forth herein.

12. The pre-emptive right of first refusal set out above shall not apply to a transfer by a Party of all or any part of its Sale Interest to an Affiliate as defined in the Canada Business Corporations Act, provided such Affiliate agrees to be bound by the terms of the Joint Venture Agreement and the transferring Party remains liable for the performance of its obligations thereunder.

13. The Operator will maintain the mineral rights within the property in good standing, free and clear of all liens and encumbrances.

14. If, while there is no work program in effect, a Party does not contribute to the costs of keeping the property in good standing, then it will be deemed to have immediately forfeited all of its Joint Venture interest in the property.

15. The Operator will be allowed to charge or take credit for ten percent (10%) of its qualifying direct expenditures and five percent (5%) of invoices on contracts for qualifying expenditures.

SCHEDULE C

Diamond Royalty

In respect of diamonds, the phrase "**Royalty**" means the applicable percentage of the Net Sales Returns from all diamonds mined or recovered from the Property (referred to in this section as "**Diamonds**"), where Net Sales Returns equals the Gross Proceeds less Allowable Deductions, where:

1. "**Gross Proceeds**" for all Diamonds sold means the actual proceeds received for the sale of such Diamonds (for greater certainty, including insurance proceeds in respect of lost or damaged Diamonds); and

2. "**Allowable Deductions**" means the following reasonable costs, charges and expenses paid or reasonably incurred:

   a) cost and expenses for preparing rough Diamonds for sale including, without limitation, for sorting, weighing, grading, valuing, pricing, parcelling (any or all of the foregoing, "sorting") and cleaning;

   b) actual costs of shipping and transporting (including packaging, insurance, security, transaction taxes, handling, port, demurrage, delay, and forwarding expenses incurred by reason of or in the course of transportation) Diamonds from the Properties to the place of sale;

   c) costs and expenses for or in connection with insurance, security, packing, storage or representation at a facility where the sorting or cleaning of Diamonds takes place;

   d) sales, use, severance, excise, net proceeds of mine, and ad valorem taxes and any tax on or measured by production (out excluding income tax), and any royalties or like charges levied by any government, but only insofar as such taxes and royalties are payable based upon the proceeds received from a purchaser or are shown as deductions therefrom;

   e) Lease Payments, License Payments and all royalties payable to third parties; and

   f) all applicable marketing expense provided that when there is sorting or cleaning of Diamonds, whether on or off the Property, in a facility wholly or partially owned by a Party or an Affiliate of a Party, Allowable Deductions will not include any costs that are in excess of those which would be incurred on an arm's length basis, or which would not be Allowable Deductions if the sorting or cleaning of the Diamonds was being done by an independent third party, in both cases at competitive market prices and rates.

PURE GOLD MINERALS INC. T.PUG

June 24, 2005
VIA FEDERAL EXPRESS

De Beers Canada Inc.
Suite 400 – 65 Overlea Boulevard
Toronto, Ontario M4H 1P1

Attention: Mr. John G. Hughes, Senior Vice President
New Business Development

Dear John:

Re: Courageous Lake Project, Northwest Territories

Set out below are the terms and conditions upon which Pure Gold Minerals Inc. ("**Pure Gold**") is prepared to enter into an option agreement with De Beers Canada Inc. (the "**Owner**" or "**De Beers**") to acquire an 85% interest in certain mineral properties located in the Northwest Territories.

The Owner owns or controls an interest in certain mineral claims in the Northwest Territories of Canada referred to as the "**Courageous Lake Project**" (the "**Properties**") and certain data and other information (the "**Information**") related to the Properties. The Properties are more particularly described in Schedule "A" to this Agreement. The Parties acknowledge that the Owner is deemed to have made expenditures to date on the Properties in the amount of C$442,000.

Now therefore in consideration of the sum of C$10.00 paid by each Party to the other and other good and valuable consideration (the delivery and sufficiency of which is hereby acknowledged by both Parties) the Parties covenant and agree as follows:

1. Conditions Precedent. This Agreement and the obligations of Pure Gold are subject to the satisfaction or waiver by Pure Gold of the following conditions precedent:

(a) Pure Gold to complete due diligence ("**Due Diligence**") and to give notice to De Beers that it intends to proceed to make Exploration Expenditures on the Properties; and

(b) the approval of this Agreement by the board of directors of each of the Parties and the approval of this Agreement by the TSX Exchange;

all within 30 days from the date of this Agreement. De Beers hereby grants to Pure Gold the exclusive right, at Pure Gold's own risk and expense, to enter on the Properties and to conduct the Due Diligence and to obtain such permits, approvals and other governmental authorizations as it deems necessary to conduct the Due Diligence.

2, Term. Unless sooner terminated as provided in this Agreement, this Agreement shall commence as of the date hereof and shall continue until midnight on May 31, 2009 (the "**Term**").

3. Grant of Option and Other Rights. Subject to the fulfilment of the conditions precedent contained in section 1 of this Agreement, the Owner grants to Pure Gold, during the Term of this Agreement, the following:

(a) the sole and exclusive right for Pure Gold, its successors and assigns to acquire an undivided 85% interest in the Properties (the "**Option**") and to enter into an exploration joint venture with the Owner on the terms and conditions attached as Schedule "B" to this Agreement (the "**Joint Venture Agreement**") by making the Exploration Expenditures (as defined herein) as described in section 4 of this Agreement;

(b) the exclusive right at its own risk and expense to enter onto the Properties and to conduct such prospecting, exploration and evaluation operations as Pure Gold in its sole discretion may determine appropriate to determine the presence, location, quantity, quality and value of minerals contained in the Properties (the "**Pure Gold Operations**");

(c) the right to obtain such permits, approvals and other federal, provincial, territorial and local governmental authorizations as Pure Gold deems necessary to conduct the Pure Gold Operations; and

(d) to the extent it is legally entitled to do so, the right to use all surface rights owned or controlled by the Owner (or its subsidiaries), if any, including easements and rights of way for ingress and egress to and from the Properties and to exercise all other rights that are or may be incidental to any or all of the rights granted to Pure Gold in this Agreement.

The Owner agrees to cooperate with Pure Gold in obtaining, furthering or as otherwise required to give effect to the foregoing grants.

4. Exploration Expenditures. In order to maintain its interest under this Agreement and its right to exercise the Option, Pure Gold shall make or shall cause to be made Exploration Expenditures in the aggregate amount of C$1,200,000.00. Such Exploration Expenditures are to be made as follows:

(a) A minimum of C$150,000.00 on or before May 31, 2006;

(b) An additional C$250,000.00 on or before May 31, 2007;

(c) An additional C$300,000.00 on or before May 31, 2008; and

(d) An additional C$500,000 on or before May 31, 2009

Pure Gold shall provide written notice to the Owner by no later than May 31 of each year during the Term of this Agreement confirming whether Pure Gold has met the previous year's Exploration Expenditures and whether it intends to continue with the next year's Exploration Expenditures or to terminate the Option.

If Pure Gold incurs in any period specified above more than the amount of Exploration Expenditures for such period, the excess amount shall be carried forward and applied as a credit to the Exploration Expenditures to be made in the subsequent period or periods.

For the purposes of this Agreement "**Exploration Expenditures**" shall mean the sum of:

(a) all costs and expenses reasonably incurred by or on behalf of Pure Gold in conducting Due Diligence and prospecting, exploration, development and mine construction on the Properties including a management fee of 10% on all direct costs and 5% on all third party contracted costs up to an aggregate of C$100,000,000 of costs and 5% on all costs thereafter. The management fee for operations after mine construction shall be negotiated by the Parties on the basis that the Operator shall neither gain nor lose financially;

(b) all costs incurred by Pure Gold in acquiring any additional Properties pursuant to section 11 of this Agreement and all costs of prospecting, exploration and evaluation of such additional Properties.

5. Exercise of Option. Provided Pure Gold makes the Exploration Expenditures as described in section 4 within the specified time periods and is not otherwise in violation of the terms of this Agreement, Pure Gold shall be deemed to have exercised the Option for no additional consideration and shall be vested with 85% of the Owner's interest in the Properties on the closing referred to below. Pure Gold shall give written notice to the Owner of its exercise of the Option at any time prior to the expiry of the Term. Within 10 days of receipt by the Owner of such notice, a closing will be held (the "**Closing**") at which time the Owner shall execute and deliver to Pure Gold an assignment and conveyance of the undivided 85% interest in the Properties and Pure Gold and the Owner shall be deemed to have entered into the Joint Venture Agreement. Pure Gold and the Owner shall execute and deliver to each other such further agreements or documents as may be reasonably required to consummate the transactions contemplated by this provision.

6. Operatorship. Once a joint venture has been formed, the Party with the greater interest in the Properties or in the Development Properties referred to in section 12, at any time, shall be the Operator of the joint venture relating to the Properties or the joint venture relating to such Development Properties, as the case may be. The Operator will be responsible for all prospecting, exploration, development and mining operations and for the marketing of all diamond production on commercial terms.

7. Reduction of Properties. Provided Pure Gold is not in violation of the terms of this Agreement, Pure Gold shall have the right during the Term of this Agreement to notify and direct the Owner to release such mineral claims forming part of the Properties as Pure Gold shall, in its sole discretion, determine. In the event that Pure Gold elects to release certain mineral claims from this Agreement, the mineral claims shall be in good standing for at least one year from the date of notice. Upon delivery of such direction to the Owner, the mineral claims identified therein shall no longer form part of this Agreement. The Owner, upon receipt of this notice, shall have the right to retain such mineral claims on the Owner's sole behalf and for the Owner's sole account and they shall cease to form part of this Agreement.

8. Operations. Pure Gold shall perform all Due Diligence and all Pure Gold Operations on the Properties in a good and workmanlike manner and in material compliance with all applicable federal, provincial, territorial, and local laws and regulations and shall record all representation work against the Properties. During the Term of this Agreement, the Owner shall limit or discontinue its own operations on the Properties to the extent such operations are not, in the reasonable judgment of Pure Gold, consistent with the Due Diligence or the Pure Gold Operations. Any operations conducted by the Owner shall be coordinated with Pure Gold.

9. Exploration Committee During Option Period. The Parties agree to form an exploration committee for the purposes of designing and implementing effective prospecting, exploration and development programs with respect to the Properties during the Term of this Agreement. The exploration committee shall consist of two representatives of Pure Gold (one of whom shall be the chairperson) and one representative of the Owner. The exploration committee shall meet at least once per each fiscal quarter and more frequently when field operations are being conducted or such other times as may be agreed to by the members of the exploration committee and the Parties hereto. The exploration committee shall draft and deliver reports to the Parties within seven (7) working days of each meeting and a formal annual report within sixty (60) days of May 31 of each year. Pure Gold will record minutes of each meeting of the exploration committee and shall distribute the minutes of each meeting to the Owner within fifteen (15) days of any meeting.

10. Reporting Requirements. Pure Gold shall deliver to the Owner the following reports and summaries:

(a) Annual Reports. Pure Gold shall deliver to the Owner the formal annual report within sixty (60) days of May 31 of each year during the Term of this Agreement setting out all pertinent information with regard to the previous year's prospecting, exploration, evaluation and development operations, and other activities including without limitation all data (including surveys in digital format) and results obtained and Pure Gold's interpretation of such results as well as statements of all expenditures;

(b) Quarterly Reports. Pure Gold shall deliver to the Owner within thirty (30) days of the completion of each quarter during the Term of this Agreement, a report setting out the prospecting, exploration, evaluation and development operations, and other activities for the previous quarter including without limitation all data (including surveys in digital format) and results obtained and Pure Gold's interpretation of such results as well as statements of all expenditures; and

11. Area of Mutual Interest. The Parties agree that any claim, right, permit or other mineral interest acquired by one Party within the Area of Mutual Interest during the Term of this Agreement shall be acquired for the benefit of both Parties and shall form part of the Properties and shall be subject to the terms and conditions of this Agreement. The Area of Mutual Interest is the area surround the Properties outlined on the map attached as part of Schedule A hereto and for greater certainty shall exclude any claim, right, permit or other mineral interest within such Area held by either Party on the date of execution and delivery of this Agreement.

12. Joint Venture Agreement and Owner Back-in Option. In the event the Option has been exercised, the Parties shall be deemed to have entered into the Joint Venture Agreement as set out in Schedule "B" and the Owner shall have a back-in option on the following terms and conditions. In each instance that a Feasibility Report is completed and accepted by the Management Committee that indicates the existence of a mineral resource and/or reserve with a net present value in excess of C$750,000,000.00, then the Owner shall have a one time option (the "**Back-In Option**") to:

(a) have those Properties containing all the mineral deposits that constitute the identified mineral resource and/or reserve described and identified in the Feasibility Report removed from the Joint Venture (the "**Development Properties**");

(b) have the Development Properties made subject to a further joint venture agreement between the Parties (the "**Development Joint Venture Agreement**") which shall also contain the terms and conditions set forth in Schedule "B" to this Agreement; and

(c) acquire a 70% interest in the Development Properties and become the Operator.

For the purposes of determining whether the Owner has a Back-In Option, the net present value of a mineral resource and/or reserve shall mean the amount in dollars equal to the difference obtained by deducting the aggregate of all pre-production costs, operating costs and non-operating costs incurred and projected to be incurred over the mining life of such resource and/or reserve from the aggregate of all revenues from production projected to be received over the life of such mineral resource and/or reserve, all as shown in the relevant Feasibility Report.

The Owner may exercise the Back-In Option by:

(d) delivering written notice of exercise to Pure Gold;

(e) delivering to Pure Gold that amount which is equal to two times that percentage of the Exploration Expenditures and other expenditures incurred by Pure Gold under the terms of this Agreement, the Joint Venture Agreement or as otherwise relate to the mineral deposits identified in the Feasibility Report as the Development Properties and as verified by independent accountants equal to the difference between Pure Gold's interest in the Development Properties before the exercise of the Back-In Option and Pure Gold's interest in such Development Properties after the exercise of the Back-In Option.

Upon exercise of the Back-In Option the Development Joint Venture Agreement shall be deemed to have been entered into by the Parties and the Owner shall be entitled to an undivided 70% interest in the Development Properties and Pure Gold shall be entitled to the remaining undivided 30% interest. The amount of the exercise price paid by the Owner as referenced above shall constitute the aggregate expenditures incurred by both Parties under the Development Joint Venture Agreement as at the date of exercise of the Back-In Option.

In the event that the Back-In Option is exercised, the balance of the Properties (i.e. the non-Development Properties) shall continue to remain subject to the Joint Venture Agreement and the then Operator under the Joint Venture Agreement shall remain as the Operator thereunder. The aggregate expenditures incurred by both parties in respect of the non-Development Properties shall be equal to all expenditures incurred by both Parties on the Properties less the actual expenditures incurred by both Parties on the Development Properties.

13. Production Funding. The Operator under a Development Joint Venture Agreement, whether Pure Gold or the Owner, will use its best endeavours to procure non-recourse project funding from lending institutions for the construction of any mine on the Development Properties. To the extent that such non-recourse project funding is not procured or is insufficient for the work program approved by the Management Committee, the parties may contribute to the shortfall pursuant to the terms of the Development Joint Venture Agreement and the failure by a party to make its proportionate contribution shall have the consequences described in the Development Joint Venture Agreement.

14. Relationship of the Parties. Nothing contained in this Agreement shall be deemed to constitute either Party the partner of the other nor, except as otherwise herein expressly provided, to constitute either Party the agent or legal representative of the other, nor to create any fiduciary relationship between them. It is not the intention of the Parties to create, nor shall this Agreement be construed to create, any mining, commercial or other partnership. Neither Party shall have any authority to act for or to assume any obligation or responsibility on behalf of the other Party, except as otherwise expressly provided herein.

Notwithstanding the foregoing, the Parties shall make good faith efforts to work together to utilize their respective expertise and positions within the mining industry to create beneficial results for both Parties from the Properties including the Development Properties.

15. Information.

(a) Confidentiality. Each Party agrees to keep confidential all information provided to it by the other Party pursuant to this Agreement and not to disclose any such information to any third party without the prior written consent of the providing Party; provided, however, this provision shall not apply to information which otherwise comes into the public domain other than through the breach by a Party of its obligations under this Agreement. Confidential information received by a Party from the other Party may be disclosed:

(i) to an affiliate, employee, officer, agent or consultant of the Party,

(ii) to a potential buyer of the Party's interest in this Agreement or the Properties (but only after obligating the third party to whom disclosure is being made to a written confidentiality agreement that binds such third party at least to the same extent each Party is obligated under this Agreement and providing a copy of the same to the non-disclosing Party), and

(iii) if and to the extent required in the ordinary course of events under any applicable law, regulation, court order or other legal requirement.

This provision shall remain in force during the Term of this Agreement or until December 31, 2009, whichever is longer.

(b) Access to Information.

(i) To Pure Gold's Information. In addition to the reporting requirements imposed by Section 3 of this Agreement, Pure Gold shall keep books and records of the Exploration Expenditures incurred by it. By July 31 of each year during the Term of this Agreement, Pure Gold shall provide to the Owner a report describing the Pure Gold Operations and the Exploration Expenditures made during the previous calendar year (or part thereof) as prescribed by section 3. Once each year, upon reasonable advance notice to Pure Gold, the Owner may, at its sole cost and expense, audit such books and records related to Exploration Expenditures.

(ii) To Owner's Information. Promptly following execution of this Agreement, to the extent not previously so done, the Owner shall provide to Pure Gold full and complete access to all of the Information in its control relating to the Properties to enable Pure Gold to fully evaluate the Properties for the presence of potentially valuable mineral deposits. Owner shall continue to make the Information available to Pure Gold at all reasonable times during the term of this Agreement.

(c) No Warranty. It is agreed between the Parties that any technical, economic or geological information of any nature provided to, or made available by one Party to the other under this Agreement including, without limitation, the Information, is or will be provided without an express or implied warranty as to its completeness or accuracy for any purpose and use of such information shall be at the sole risk of the Party using the same.

16. General Representations and Warranties. Each Party represents and warrants to the other Party that it is a corporation duly organized, validly existing, and in good standing in the jurisdiction of its incorporation and it has the corporate power and authority and has taken all necessary corporate action, to authorize the execution and delivery of this Agreement and the other agreements and instruments to be executed and delivered in connection herewith and to undertake the performance by it of its respective obligations under this Agreement.

17. Additional Representations by Owner. Owner further represents and warrants to Pure Gold that, except as set forth in Schedule "A":

(a) Owner owns the entire undivided interest in the Properties, subject only to the leases, options, or other agreements (collectively, the "**Ownership Agreements**") identified in Part II of Schedule "A";

(b) to Owner's knowledge, all taxes, fees, rentals, royalties and other payments and all filings necessary to maintain the Properties have been properly and timely made and performed, as appropriate;

(c) there are no pending or threatened actions, suits, claims, or proceedings, and Owner has not received any notice of violation or agency claim alleging any violation of any law, rule, regulation or permit, with respect to the Properties;

(d) except for the Ownership Agreements, Owner has no contractual commitments or obligations which relate to or affect the Properties and no third party consent is necessary for Owner to enter into or perform its obligations under this Agreement; and

(e) Owner has not caused, allowed, or knows of the generation, treatment, storage, or disposal of hazardous materials on the Properties or the violation of any law, rule, regulation or order for the protection of health, safety or the environment with respect to the Properties, which in any case has not been properly remedied.

18. Property Maintenance Obligations; Protection from Liens. During the Term of this Agreement:

(a) (i) Provided the conditions precedent set out in section 1 have been satisfied or waived, Pure Gold agrees to make all payments first becoming due after the date hereof and do all such work on the Properties that are necessary to maintain the Properties in good standing, including all recording of representation work, all payments for real property taxes assessed against the Properties after the date hereof and all lease or option payments first becoming due under the Agreements after the date hereof; and

(ii) Pure Gold's obligations with respect to maintenance of the Properties shall be limited to maintenance of the Properties in the condition existing as of the date hereof and Pure Gold shall not be required to cure any defects in title then existing. Pure Gold does not commit to make any portion of the Exploration Expenditures on any particular portion of the Properties. All payments made by Pure Gold under this provision shall be recorded Exploration Expenditures.

(b) Each Party represents and warrants to the other that it shall not permit any lien resulting from its operations to be placed on or remain against this Agreement or the Properties, other than liens provided by law (such as taxes, worker's and materialmen's liens) for which payment is not yet due. A Party shall not be required to remove any such lien so long as it is contesting the validity or the amount thereof.

(c) Each Party further represents and warrants to the other that it shall not transfer, abandon or encumber any interest it now owns or may hereafter acquire in the Properties except as expressly allowed in this Agreement without the prior written consent of the other Party, which consent shall not be unreasonably withheld.

(d) All security in respect of bonds given by the Owner in respect of the Properties shall belong and be returned to the Owner.

19. Events of Termination. This Agreement may be terminated:

(a) by the Owner upon the failure of Pure Gold to meet the conditions set forth in section 1 of this Agreement;

(b) by Pure Gold prior to the exercise of the Option upon 10 days' prior written notice from Pure Gold to the Owner;

(c) by the Owner due to a failure or default on the part of Pure Gold that remains uncured as provided in section 23;

(d) by Pure Gold due to a failure or default on the part of the Owner that remains uncured as provided in section 23;

(e) by the Parties by mutual agreement; or

(f) by effluction of time.

Upon termination Pure Gold shall execute and deliver to Owner a quit claim deed in recordable form, quit claiming any and all interest of Pure Gold in the Properties.

In the event of termination by Pure Gold, all mineral claims shall be in good standing for at least one year from the date of notice of termination.

20. Events following Termination. Promptly following termination of this Agreement, notwithstanding such termination Pure Gold shall, if Pure Gold has not exercised the Option, reclaim any disturbances of the Properties arising out of the Due Diligence or Pure Gold's Operations as required by any governmental authority, but Pure Gold assumes no responsibility or obligation to reclaim or otherwise cure disturbances of the Properties arising out of the operations of Owner, its predecessors or any third parties. Subject to applicable state or federal regulations, Pure Gold shall have a period of six months after the date of termination in which to remove from the Properties any equipment supplies or structures placed thereon by Pure Gold. In addition, within a reasonable period after termination of this Agreement, Pure Gold shall prepare and deliver to Owner a summary report outlining the Pure Gold Operations on the Properties and all non-interpretive geological and technical information generated from such Operations. On termination of this Agreement, Owner shall, unless Pure Gold shall have exercised the Option, also have the right, at its own expense, to take possession of any core, drill

samples and other material physical products obtained by Pure Gold from Pure Gold Operations on the Properties. If Owner elects to exercise such right, Owner must give notice of election within 30 days of termination and take possession of the same from Pure Gold within 30 days thereafter or Pure Gold shall have the right to dispose of the same as it sees fit.

21. Allocation of Liabilities.

(a) To Owner. Unless and until Pure Gold exercises the Option, Owner shall be solely responsible for and shall indemnify defend and hold harmless Pure Gold and its affiliates and each of their officers, directors, employees, agents, servants, and contractors, against all obligations and liabilities, whether known or unknown, arising under or in connection with any law, regulation, permit, approval, contract or other matter, including those arising under any environmental law, in any way affecting or relating to the Properties, which at any time arises with respect to its operations on the Properties or conditions or matters occurring or existing on the Properties as of the date hereof or that arise out of operations conducted by Owner or its affiliates thereafter. If Pure Gold exercises the Option, except to the extent the existence of such obligations and liabilities constitutes a breach of a representation, warranty or covenant under this Agreement, the obligations and liabilities shall become obligations and liabilities of the Parties and shall be allocated to the Parties and third parties pursuant to the terms of the Joint Venture Agreement and any successor agreements.

(b) To Pure Gold. Unless and until Pure Gold exercises the Option, Pure Gold shall be solely responsible for and shall indemnify defend and hold harmless Owner and its affiliates and each of their officers, directors, employees, agents, servants, and contractors, against all obligations and liabilities, whether known or unknown, arising under or in connection with any law, regulation, permit, approval, contract or other matter, including those arising under any environmental law, in any way affecting or relating to the Properties, which at any time arises with respect to the Due Diligence or Pure Gold Operations on the Properties. If Pure Gold exercises the Option, except to the extent the existence of such obligations and liabilities constitutes a breach of a representation, warranty or covenant under this Agreement, the obligations and liabilities shall be come obligations and liabilities of the Parties and shall be allocated to the Parties and third parties pursuant to the terms of the Joint Venture Agreement and any successor agreements.

22. Indemnification. Except as otherwise provided in this Agreement, each Party hereby agrees to indemnify, defend and hold harmless the other Party, its affiliates and each of their officers, directors, employees, agents, servants, and contractors, from any and all losses, costs, expenses, actions, awards, judgments, fines, penalties, and other liabilities whatsoever, arising in connection with the liability allocated to such Party under this Agreement or with respect to any breach of this Agreement. Each Party waives any claim for damages for lost profits or for the speculative value or development potential of the Properties.

23. Default. If either Party believes that the other Party has failed to perform any of its obligations under this Agreement, such Party may provide the other Party with a notice, specifically captioned a "**Notice of Default**" and setting forth in reasonable detail the basis for such belief and the actions or actions the Party believes would cure such default. If the Party alleged to be in default does not cure such failure within 30 days, or if such default cannot reasonably be cured within 30 days, does not commence to cure the same within such period or thereafter does not diligently proceed to cure the same, the non-defaulting Party may exercise its rights under law or equity except as otherwise expressly provided in this Agreement. If the Party that is alleged to be in default disputes the existence of the default, the Party alleging the default must secure a determination from a court of competent jurisdiction that a default has, in fact, occurred. If such a determination is made, unless the defaulting Party cures or commences to cure such default as provided above following the final judicial determination, the non-defaulting Party may terminate this Agreement.

24. Waivers, Delays and Omissions. No failure, delay or omission by a Party to exercise any right under this Agreement shall be construed to be a waiver of any such right or any other right hereunder.

25. Force Majeure. Neither Party shall be responsible for any delay (whether material or not) in or failure of any performance or obligation under this Agreement, save and except for performance of a financial obligation, due to any cause beyond the reasonable control of such Party, including, but not limited to, any act of God; any failure of transportation facilities; strikes or labour controversies of any nature (but in no event shall a Party be required to settle any such strike or controversy); explosions; fires; floods; accidents to personnel or equipment; wars (domestic or foreign); riots; revolutions; rebellions; blockades; embargoes; applicable foreign or domestic governmental acts, restrictions, requisition, regulations, or orders (whether or not later proved to be invalid); and any other causes or occurrences of any nature beyond a Party's control, whether similar or dissimilar to the foregoing. If a Party suffers any such event, it may provide notice to the other Party of such event. If so declared, the obligations of the Party so affected shall be suspended pending the termination of such event, and any time deadlines shall be extended by the period of such event, unless the Parties otherwise agree.

26. Notices. Any notices or other required communications between the Parties shall be in writing and delivered by registered mail, return receipt requested, by personal delivery, by facsimile transmission or by commercial courier. Delivery shall be effective on receipt. All such notices or communications shall be addressed as follows, provided that either Party may change its address at any time by notice given in the manner described above:

To Pure Gold:

Pure Gold Minerals Inc.
1255 West Pender Street
Vancouver, B. C.
Canada V6E 2V1

Attn: The President
Tel: (604) 687-2038

With a copy to:

Taylor Wray Business Lawyers
470 Granville Street, Suite 218
Vancouver, B.C
Canada V6C 1V5

Attn: Ian MacLeod
Tel: (604) 662-8373

Fax: (604) 687-3141

Fax: (604) 662-8321

To Owner:

De Beers Canada Inc.
Suite 400
65 Overlea Boulevard
Toronto, ON, Canada
M4H 1P1

Attn: Senior Vice President, Exploration
Tel: (416) 645-1710
Fax: (416) 423-0081

With a copy to:

Fasken Martineau Du Moulin LLP
TD Bank Tower, Box 20
Suite 4200
Toronto, ON
Canada M5K 1N6

Attn: Robert Shirriff
Tel: (416) 865-4434
Fax: (416) 364-7813

27. Survival of Certain Terms. Notwithstanding the termination of this Agreement, if Pure Gold has exercised the Option prior to such termination then the provisions of paragraphs 6, 11, 12, 13, 14, 20, 21, 22, 25, 26, 27 and 28 of this Agreement shall continue to apply and remain in full force and effect with respect to the Properties acquired by Pure Gold on the exercise of the Option.

28. Miscellaneous.

(a) Amendment of Agreement. This Agreement may only be amended or modified by a document in writing executed by the Parties. Nothing in this Agreement shall impose any obligations or covenants, express or implied, to conduct any particular level or degree of exploration, development or mining operations upon the Properties, except as otherwise except as expressly required by this Agreement.

(b) Governing Law. This Agreement shall be construed and interpreted in accordance with, governed and enforced in all respects by the laws of the Province of Ontario.

(c) Severability. If any provision of this Agreement is held to be invalid or unenforceable, the remainder of this Agreement shall continue in full force and effect.

(d) Press Releases. Neither Party shall issue any press release or make any public announcement relating to the subject matter of this Agreement prior to the Closing without the prior written approval of the other; provided, however, that either Party may make any public disclosure it believes in good faith is required by applicable law or any listing or trading agreement concerning its publicly traded securities (in which case the disclosing Party will advise the other Party prior to making the disclosure and shall provide the other Party with an advance copy of such required disclosure, it being agreed that the extent and content of such required disclosure shall be strictly limited to the requirements of applicable laws, listings or trading agreements).

(e) Further Assurances. Each of the Parties hereto agrees that from time to time, at the request of the other Party hereto and without further consideration, it will execute and deliver such other documents and take such other actions as counsel for such other Party reasonably requests in order to consummate more effectively the transactions contemplated hereby.

(f) Assignment. Neither Party shall have the right to transfer its rights under this Agreement, in whole or in part, without the prior written consent of the other save and except for a transfer to an Affiliate as defined under the Canada Business Corporations Act provided that (i) any such permitted transfer shall be expressly subject to this Agreement and to all rights of the other Party, its successors and assigns; and (ii) such permitted transferee acknowledges the same in writing prior to completion of the transfer.

(g) Other Business Opportunities. Each Party shall have the right independently to engage in and receive the sole benefit from other business activities, whether or not competitive with those of the other Party and whether or not arising out of activities undertaken pursuant to this Agreement, and neither Party shall have any obligation whatsoever to the other with respect to any property acquired at any time outside of the Area of Interest.

(h) No Third-Party Beneficiaries. Except as expressly provided in this Agreement, this Agreement shall not confer any rights or remedies upon any third party.

(i) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original but all of which together will constitute one and the same instrument. The Parties agree that signatures transmitted by facsimile transmission shall constitute original signatures and that an Agreement transmitted by facsimile and containing the signatures (original or transmitted) of both Parties shall be binding.

(j) Disputes. All disputes will be dealt with by the proper courts in the Province of Ontario.

(k) Entire Agreement. This Agreement contains the entire understanding of the Parties and supersedes all prior agreements and understandings between the Parties relating to the subject matter hereof.

Executed to be effective as of the date first written above.

DE BEERS CANADA INC.

(signed) "John G. Hughes"

By: ________________________________
John G. Hughes
Its SVP – New Business Development

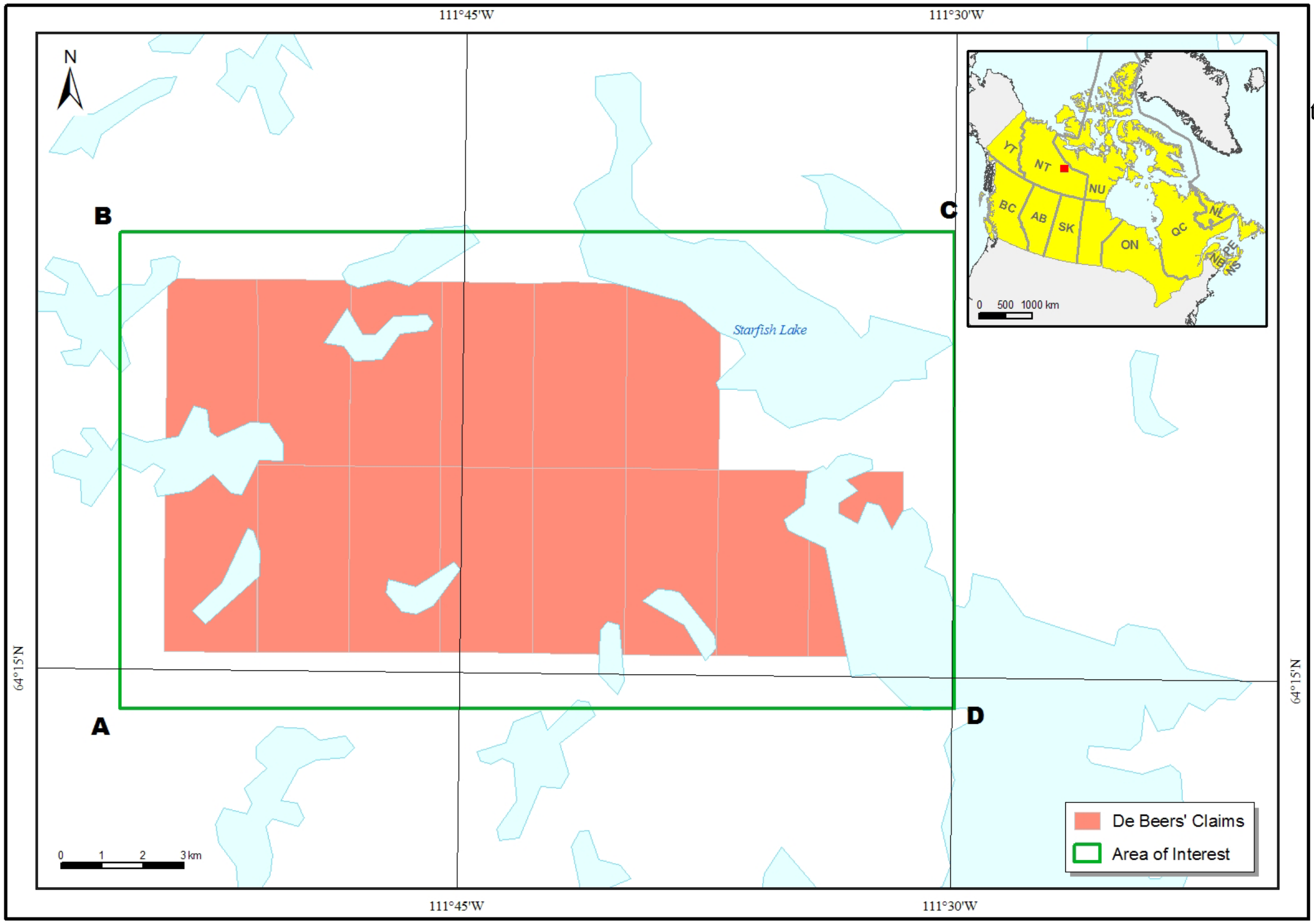
PURE GOLD MINERALS INC.

(signed) "Eugene Beukman"

By: ________________________________
Eugene Beukman
Its Vice President

SCHEDULE "A"

COURAGEOUS LAKE



thv

PointID	Long 84	Lat 84
A	-112.0077	64.3806
B	-111.5171	64.3817
C	-111.5162	64.3403
D	-111.4228	64.3402
E	-111.4229	64.2105
F	-112.0011	64.2086

CLAIM #	CLAIM NAME
F70103	BLKFLY 01
F70104	BLKFLY 02
F70105	BLKFLY 03
F70106	BLKFLY 04
F70107	BLKFLY 05
F70108	BLKFLY 06
F70109	BLKFLY 07
F70110	BLKFLY 08
F70111	BLKFLY 09
F70112	BLKFLY 10
F70113	BLKFLY 11
F70114	BLKFLY 12
F70115	BLKFLY 13
F70116	BLKFLY 14

Schedule of Mineral Claims

COURAGEOUS LAKE PROPERTY: 14 mineral claims located 243 kilometres northeast of Yellowknife at the northwest end of Courageous Lake in the District of Mackenzie, Northwest Territories, NTS mapsheet 76D/05

Claim Number	Claim Name	Area (Acres)	NTS	Record Date (yyyy-mm-dd)	Next Due Date (yyyy-mm-dd)	Recorded Owner	Owner's Interest (%)
F 70103	BLKFLY 01	2468.0	076D05	2001-08-31	2008-08-31	De Beers Canada Inc.	100
F 70104	BLKFLY 02	2582.0	076D05	2001-08-31	2008-08-31	De Beers Canada Inc.	100
F 70105	BLKFLY 03	2472.0	076D05	2001-08-31	2008-08-31	De Beers Canada Inc.	100
F 70106	BLKFLY 04	2560.0	076D05	2001-08-31	2007-08-31	De Beers Canada Inc.	100
F 70107	BLKFLY 05	2535.0	076D05	2001-08-31	2005-08-31	De Beers Canada Inc.	100
F 70108	BLKFLY 06	2536.0	076D05	2001-08-31	2005-08-31	De Beers Canada Inc.	100
F 70109	BLKFLY 07	2538.0	076D05	2001-08-31	2006-08-31	De Beers Canada Inc.	100
F 70110	BLKFLY 08	2582.5	076D05	2001-08-31	2007-08-31	De Beers Canada Inc.	100
F 70111	BLKFLY 09	2582.5	076D05	2001-08-31	2007-08-31	De Beers Canada Inc.	100
F 70112	BLKFLY 10	2582.5	076D05	2001-08-31	2006-08-31	De Beers Canada Inc.	100
F 70113	BLKFLY 11	2480.0	076D05	2001-08-31	2006-08-31	De Beers Canada Inc.	100
F 70114	BLKFLY 12	2570.0	076D05	2001-08-31	2006-08-31	De Beers Canada Inc.	100
F 70115	BLKFLY 13	2310.0	076D05	2001-08-31	2005-08-31	De Beers Canada Inc.	100
F 70116	BLKFLY 14	2527.0	076D05	2001-08-31	2005-08-31	De Beers Canada Inc.	100
Total	14 Claims	**35325.5**					

SCHEDULE "B"

JOINT VENTURE AGREEMENT

1. A Management Committee will be responsible for approving work programs and budgets and for determining the general policies and direction to be adopted by the Operator. The Management Committee will consist of one representative and one alternate from each Party. Each of the Parties will have a number of votes at the Management Committee meetings equal to its then-current Joint Venture Interest. Decisions of the Management Committee require a simple majority of votes.

2. The Operator shall in good faith and acting in the best interests of the Joint Venture conduct the activities under the Agreement on or with respect to any part of the Properties or Development Properties as contemplated by the Agreement on behalf of the Joint Venture. The Operator shall present to the Management Committee for approval a work program and budget, as soon as possible for the first year and annually or as otherwise agreed for each following calendar year at least sixty (60) days prior to the commencement of such work program. Programs and budgets will be reviewed and voted upon by the Management Committee within thirty (30) days of their presentation to the Management Committee by the Operator. Management Committee meetings may be held by teleconference or videoconference provided that all Representatives agree.

3. The Operator shall be the party which has the larger interest in the Properties subject to this Agreement or which become subject to a Development Joint Venture pursuant to Section 12 of the Agreement to which this Schedule "B" is annexed.

4. Within thirty (30) days after the approval of a work program by the Management Committee, each Party will elect whether or not it will fund its proportionate share of all Joint Venture expenses required to complete the work program.

5. (a) Cash calls for Joint Venture expenses for approved work programs shall be issued quarterly in advance by the Operator and paid within 30 days of issue. If a Party elects not to contribute to a work program approved by the Management Committee (the "Non-Contributing Party") and the other Party (the "Contributing Party") contributes the Non-Contributing Party's proportionate share as well as its own, then the Non-Contributing Party's undivided co-ownership interest in the Properties or Development Properties and the other assets of the Joint Venture ("Joint Venture Interest") will be adjusted in accordance with the formula set forth below.

(b) A Non-Contributing Party whose Joint Venture Interest is reduced pursuant to this section shall have the right to redeem its position if the actual amount of expenditures incurred on an approved work program is less than 75% of the budget approved for such program otherwise the reduction shall be final. The Operator shall within 30 days of the end of the calendar quarter in which such approved program is completed provide the Parties with a statement of expenditures ("Expense Statement") incurred on such program which Expense

Statement shall be verified by the Operator's' auditor within six months of the delivery of the Expense Statement if so requested within 21 days of such delivery by the Non-Contributing Party. A Non-Contributing Party who has the right to redeem its position shall within 21 days of the delivery of the Expense Statement or, if an audit is requested, within 21 days of the delivery of such audit report, give notice ("Notice of Redemption") to the Operator and the Contributing Party if it wishes to redeem its position. If such Non-Contributing Party fails to give such Notice of Redemption within such 21 days it shall be deemed to have given notice that it does not wish to redeem its position.

(c) The Non-Contributing Party giving a Notice of Redemption shall redeem its Joint Venture Interest by paying to the Operator an amount equal to the proportionate share of the expenditures the Party would have paid had it participated in the approved program plus interest at the annual rate equal to the prime rate of the Royal Bank of Canada plus 5% compounded monthly, from the date of the Operator's invoices for expenditures for the program to the date of payment to the Operator. Such payment shall be made to the Operator within 30 days of the giving of the Notice of Redemption. The Operator shall pay the proceeds to the Contributing Party.:

In the case of a Joint Venture on the Properties a Party's Joint Venture Interest = $\dfrac{[(\%X) + Y\,]}{[\quad X+Z \quad]} \times 100$

where the terms:

"%" means, in the case of the Owner (De Beers) – 15% and in the case of Pure Gold – 85%;

"X" means the total expenditures incurred on the Properties by Pure Gold and by De Beers up to the formation of the Joint Venture pursuant to the Agreement;

"Y" means the total expenditures incurred by such Party on the Properties after the formation of the Joint Venture; and

"Z" means the total expenditures incurred by both Parties on the Properties after the formation of the Joint Venture.

All as they may be adjusted pursuant to section 12 of the Agreement if such Properties become non-Development Properties as a result of the formation of a Development Joint Venture.

In the case of a Development Joint Venture on Development Properties, a Party's Joint Venture Interest = $\dfrac{[(\%X) + Y\,]}{[\quad X+Z \quad]} \times 100$

where the terms:

"%" means, in the case of the Owner (De Beers) – 70% and in the case of Pure Gold – 30%;

"X" means the amount of the exercise price paid by the Owner to exercise its Back-In Option pursuant to section 12 of the Agreement;

"Y" means the total expenditures incurred by such Party on the Development Properties after the formation of the Development Joint Venture; and

"Z" means the total expenditures incurred by both Parties on the Development Properties after the formation of the Development Joint Venture.

6. (a) If a Party has elected to participate in an approved program and budget, but fails to pay its proportionate share of costs (a "**Defaulting Party**") and the other party pays the Defaulting Party's proportionate share as well as its own, then the Defaulting Party's Joint Venture Interest shall be reduced in accordance with the formula described above by adding to the item "Y" of the non-defaulting Party's Joint Venture Interest calculation under the said formula an amount equal to two (2) times the amount in default and adding the same amount to the item "Z" in both Parties' formulae in calculating the Parties' Joint Venture Interests.

(b) No adjustment to any Joint Venture Interest pursuant to the provisions hereof shall affect the validity of any vote taken by the Parties on the basis of their Joint Venture Interests prior to such adjustment. As soon as reasonably possible after the completion of each operating year, the Operator shall provide the Parties with a written statement specifying the Joint Venture Interest of each Party based on actual expenditures paid by such Party for such operating year and particulars of the determination of such Joint Venture Interest in the event it has been adjusted during or after such operating year.

7. "**Feasibility Report**" means a detailed written report of the theoretical design, construction and operation of a mine over its projected life including, without limitation, a report on engineering details of the mine, mill and other relevant plant, equipment and infrastructure, which indicates whether such mine will be economically profitable having regard to net present value and IRR calculations where the relevant calculations are based on an indicated resource as defined in the Canadian Institute of Mining, Metallurgy and Petroleum Standards on Mineral Resources and Reserves Definitions and Guidelines and the accuracy of cost estimates are in a range of -10% to +15%. Such report will include an estimated annual payment schedule for all mine construction costs, a pro forma analysis of the expected revenues to be generated and shall include such financial information and technical standards as are sufficient to enable major institutional lenders experienced in mining financings to make a decision whether to provide project financing for the said mine;.

8. The Operator with the consent of the Management Committee, or any Party having a greater than 5% Joint Venture Interest at its own cost, shall have the right to prepare and submit a Feasibility Study to the Parties or to the other Party, as the case may be.

9. Within 120 days of the completion of a Feasibility Report which shows an internal, unleveraged, after-tax project return on forecast invested capital of at least 15% each Party shall elect whether it will;

(a) participate in development and production by funding its share of Expenditures required to implement the recommendations of the Feasibility Report in accordance with cash calls made by the Operator; or

(b) not participate in development and production by funding its share of expenditures required to implement the recommendations of the Feasibility Report; or

(c) attempt to sell, subject to the other Party's right of first refusal, all of its Joint Venture Interest to a third party willing to participate in development and production in place of the selling Party.

10. A Party whose Joint Venture Interest is reduced to 5% or less pursuant to sections 5 or 6 or who, pursuant to Section 9, elects not to participate in development and production or fails to sell all of its Joint Venture Interest within 180 days after its election to do so, shall have such Joint Venture Interest automatically converted to a one percent (1%) royalty interest (the "**Royalty**") in the mineral products from the relevant properties on the terms and subject to the conditions as described in Schedule "C" to the Agreement. If a Party assigns its Joint Venture Interest in part or to more than one assignee, the percentage Joint Venture Interest to which each assignee's Joint Venture Interest must be diluted prior to its Joint Venture Interest being converted to a Royalty shall remain at 5% for each of them and the portion of the Royalty to which each assignee's Joint Venture Interest will be converted shall be that derived by multiplying the portion of the Royalty to which the assigning Party's Joint Venture Interest would have been converted to prior to the assignment by the fraction, the numerator of which is the assignee's Joint Venture Interest immediately after the assignment and the denominator of which is the assigning Party's Joint Venture Interest immediately prior to the assignment, the assignor's portion of the Royalty will be adjusted accordingly and such shall be applied in like fashion for any additional assignments. A conversion of a Party's Joint Venture Interest hereunder to a Royalty shall be deemed to be an assignment of that Party's Joint Venture Interest to the other Parties in proportion to such other Party's Joint Venture Interests and the provisions of this section shall apply *mutatis mutandis*.

11. Neither Party shall give a mortgage, charge, security interest or other encumbrance ("Security Interest") on its Joint Venture Interest without the approval of the other Party except as specifically provided herein. Either Party may give a Security Interest on its Joint Venture Interest to a third party lender, but only for the purpose of enabling such party to pay its share of Joint Venture expenses to be incurred by such Party and then only if such third party lender agrees with all Parties to hold and deal with such Security Interest on and subject to the terms of the Agreement as if it were the Party giving the Security Interest so as to protect and preserve the rights of the other Party under the Agreement with respect to the subject matter of such Security Interest. The discharge of any obligation relating to any such Security Interest shall be the sole responsibility of such Party.

12. Except as otherwise provided hereunder if a Party desires to sell, assign, or transfer all or any part of its Joint Venture Interest in this Agreement, including its interest in the assets of the Joint Venture to anyone other than an Affiliate (the "**Sale Interest**"), the other Party shall have a pre-emptive right to acquire such Sale Interest as follows:

(a) a Party intending to sell, assign or transfer the Sale Interest must have a third party offer in hand and shall promptly notify the other Party of its intentions. The Notice shall state the price in cash (the "**Purchase Price**") and all other pertinent terms and conditions of the intended transfer. The Notice shall be accompanied by a copy of the offer or contract for sale. If the third party offer consideration is comprised partly of non-cash, the Notice shall contain the fair cash equivalent of such non-cash consideration and the means and methods used to calculate such fair cash equivalent. The other Party shall have sixty (60) days after the date such Notice is delivered to notify the transferring Party whether it elects to acquire the offered Sale Interest at the same Purchase Price in cash and otherwise on the same terms and conditions as set forth in the Notice. If it does so elect, the transfer shall be consummated promptly after Notice of such election is delivered to the transferring Party;

(b) if the other Party elects not to acquire the offered Sale Interest or fails to so elect within the sixty (60) day period provided above, the transferring Party shall have ninety (90) days following the earlier of (i) the date of expiration of the above-mentioned sixty (60) day period or (ii) the date when the other Party elected not to purchase the Sale Interest, to consummate the transfer to a third Party at a price at least equal to the Purchase Price and on terms no less favourable to the transferring Party than those offered by the transferring Party to the other Party in the Notice required herein; and

(c) if the transferring Party fails to consummate the transfer to a third Party within the said ninety (90) day period, then the pre-emptive right of the other Party in such offered Sale Interest shall be deemed to be revived. Any subsequent proposal to transfer such Sale Interest shall be conducted in accordance with all the procedures set forth herein.

13. The pre-emptive right of first refusal set out in Section 12 above shall not apply to

(a) a transfer by a Party of all or any part of its Sale Interest to an Affiliate provided such Affiliate agrees with all Parties to be bound by the terms of the Joint Venture Agreement and the transferring Party remains liable for the performance of its obligations thereunder. An Affiliate of a Party shall include (i) a body corporate which holds directly or indirectly 40% or more of the voting shares of such Party or of a holding body corporate of such Party, and (ii) a subsidiary of such Party, as the terms holding body corporate and subsidiary are defined in the Canada Business Corporations Act.

(b) a corporate consolidation or reorganization of a Party as a result of which the surviving entity shall possess substantially all of the shares or all of the property rights and interests, and be subject to substantially all of the liabilities and obligations of that Party prior to such consolidation or reorganization;

(c) corporate takeover, merger or amalgamation involving a Party by which the surviving entity or amalgamated company shall possess all of the stock or all of - the property rights and interests, and be subject to substantially all of the liabilities and obligations of that Party prior to such take-over, merger or amalgamation; and

(d) a change in control of a Party as that term is defined in applicable securities legislation.

14. The Operator will maintain the mineral rights within the property in good standing, free and clear of all liens and encumbrances.

15. If, while there is no work program in effect, a Party does not contribute to the costs of keeping the Properties or Development Properties in good standing, then it will be deemed to have immediately forfeited all of its Joint Venture Interest.

16. The Operator will be allowed to charge or take credit for a management fee equal to ten percent (10%) or all direct costs and five percent (5%) of all contracted costs of prospecting, exploration, development and mine construction up to an aggregate of C$100,000,000 of costs and 5% on all costs thereafter. The management fee for operations after mine construction shall be negotiated by the Parties on the basis that the Operator shall neither gain nor lose financially.

17. If De Beers is the Operator it is authorized and directed to enter into a diamond sale agreement, on behalf of the Parties, with the Diamond Trading company Limited or such related entity as it may designate ("**DTC**") providing for the sale by the Parties of all diamonds recovered from Properties or the Development Properties in commercial quantities on terms and conditions generally then in force between the DTC and similar diamond producers of equivalent size.

SCHEDULE C

ROYALTY AGREEMENT

THIS AGREEMENT is made the ____ day of __________________, _______,

BETWEEN:

[COMPANY NAME], a company incorporated under the laws of [Jurisdiction] having an address at [Address]

(the "**Royalty Holder**")

OF THE FIRST PART

AND:

[OPERATOR], a company incorporated under the laws of [Jurisdiction] having an address at [Address]

(the "**Owner**")

OF THE SECOND PART

WHEREAS:

A. The Royalty Holder and the Owner are parties to a Joint Venture Agreement/Development Joint Venture Agreement in respect of the Courageous Lake Mineral Properties (the "**Property**") dated as of the ____ day of ___________, ______ (the "**Joint Venture Agreement**");

B. In accordance with the terms of the Joint Venture Agreement upon the reduction of one party's Joint Venture Interest to 5% or less, such party's Joint Venture Interest shall automatically be converted to a 1.0% royalty (the "**Royalty**") as such Royalty may be adjusted pursuant to section 10 of the Joint Venture Agreement;

C. The Royalty Holder and the Owner have entered into this Agreement to set out the terms upon which the Royalty Holder will hold certain gross overriding royalty rights with respect to the Property;

D. All terms not defined herein shall have the meaning ascribed to them in the Joint Venture Agreement.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the mutual covenants and conditions contained herein and for other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged by the parties), the parties covenant and agree as follows:

1. Royalty

1.1 *Diamonds*

In respect of diamonds, the phrase "**Royalty**" means the applicable percentage of the Net Sales Returns from all diamonds mined or recovered from the Property (referred to in this section as "**Diamonds**" or "**Products**"), where Net Sales Returns equals the Gross Proceeds less Allowable Deductions, where:

(a) "**Gross Proceeds**" for all Diamonds sold means the actual proceeds received for the sale of such Diamonds (for greater certainty, including insurance proceeds in respect of lost or damaged Diamonds); and

(b) "**Allowable Deductions**" means the following reasonable costs, charges and expenses paid or reasonably incurred:

(i) cost and expenses for preparing rough Diamonds for sale including, without limitation, for sorting, weighing, grading, valuing, pricing, parcelling (any or all of the foregoing, "sorting") and cleaning;

(ii) actual costs of shipping and transporting (including packaging, insurance, security, transaction taxes, handling, port, demurrage, delay, and forwarding expenses incurred by reason of or in the course of transportation) Diamonds from the Property to the place of sale;

(iii) costs and expenses for or in connection with insurance, security, packing, storage or representation at a facility where the sorting or cleaning of Diamonds takes place;

(iv) sales, use, severance, excise, net proceeds of mine, and *ad valorem* taxes and any tax on or measured by production (but excluding income tax), and any royalties or like charges levied by any government, but only insofar as such taxes and royalties are payable based upon the proceeds received from a purchaser or are shown as deductions therefrom;

(v) lease payments, license payments and all royalties payable to third parties; and

(vi) all applicable marketing and advertising expenses;

provided that when there is sorting or cleaning of Diamonds, whether on or off the Property, in a facility wholly or partially owned by a Party or an affiliate of a Party, Allowable Deductions will not include any costs that are in excess of those which would be incurred on an arm's length basis, or which would not be Allowable Deductions if the sorting or cleaning of the Diamonds was being done by an independent third party, in both cases at competitive market prices and rates.

1.2 *Base Metals*

In respect of base metals, the phrase "**Royalty**" means the applicable percentage of the Net Smelter Returns from all ores mined from the Property which have a base metal or combination of base metals as the contained element of greatest economic value and all concentrates and other mineral products, metals or minerals which are derived therefrom prior to their sale (referred to in this section as the "**Products**"), where Net Smelter Returns equals the Gross Proceeds from sales of such Products less Allowable Deductions, where:

(a) "**Gross Proceeds**" for any Product means the actual proceeds received for the sale of such Product (for greater certainty, including insurance proceeds in respect of any loss); and

(b) "**Allowable Deductions**" for any Product means the following reasonable costs, charges and expenses paid or reasonably incurred with respect to such Product:

(i) charges for treatment in the smelting, refining and other benefication process (including handling, processing, interest, and provisional settlement fees, weighing, sampling, assaying umpire and representation costs, penalties, and other processor deductions);

(ii) actual costs of transportation (including loading, freight, insurance, security, transaction taxes, handling, port, demurrage, delay, and forwarding expenses incurred by reason of or in the course of transportation) of Product from the Properties to the place of treatment and then to the place of sale;

(iii) costs or charges of any nature for or in connection with insurance, storage, or representation at a facility where Product is treated; and

(iv) sales, use, severance, excise, net proceeds of mine, and ad valorem taxes and any tax on or measured by mineral production, insofar as such taxes are attributable to Product, but not including income taxes;

provided that when Product is treated, whether on or off the Property, in a facility wholly or partially owned by a Party or an Affiliate of a Party, Allowable Deductions will not include any costs that are in excess of those which would be incurred on an arm's length basis, or which would not be Allowable Deductions if those Products were treated by an independent third party, in both cases at competitive market prices and rates.

1.3 *Precious Metals*

In respect of precious metals, the phrase "**Royalty**" means the applicable percentage of the Net Smelter Returns from all ores mined from the Property and having a precious metal or combination of precious metals as the contained element of greatest economic value, and all doré, concentrates and other mineral products, metals or minerals which are derived therefrom prior to their sale (referred to in this section as the "**Products**"), where Net Smelter Returns equals the Gross Proceeds from sales of such Products less Allowable Deductions, where:

(a) "**Gross Proceeds**" for any Product means the proceeds received or deemed to have been received for the sale of such Product, determined as follows:

(i) if there is a sale of Product in the form of refined gold, then such gold will be deemed to have been sold at the average London Bullion Market Association of P.M. Gold Fix, calculated by dividing the sum of all such prices reported for the month in which it was produced by the number of days in that month for which such prices were reported;

(ii) if there is a sale of Product in the form of refined silver, then such silver will be deemed to have been sold at the average New York Silver Price as published daily by Handy & Harman (or, should that publication cease, another similar publication acceptable to the payor and payee, acting reasonably), calculated by dividing the sum of all such prices reported for the calendar month in which it was produced by the number of days in that month for which such prices were reported; and

(iii) if there is any other sale of Product including, without limitation, a sale in the form of raw ore, doré, concentrates, refined metals other than gold or silver, and any loss of Product in any form, then the Gross Proceeds will be equal to the amount of the proceeds actually received from the sale (for greater certainty, including insurance proceeds in respect of any loss).

(b) "**Allowable Deductions**" for any Product means the following reasonable costs, charges and expenses paid or reasonably incurred with respect to such Product:

(i) charges for treatment in the smelting, refining and other benefication process (including handling, processing, interest, and provisional settlement fees, weighing, sampling, assaying umpire and representation costs, penalties, and other processor deductions);

(ii) actual costs of transportation (including loading, freight, insurance, security, transaction taxes, handling, port, demurrage, delay, and forwarding expenses incurred by reason of or in the course of transportation) of Product from the Property to the place of treatment and then to the place of sale;

(iii) costs or charges of any nature for or in connection with insurance, storage, or representation at a facility where Product is treated;

(iv) actual sales and brokerage costs; and

(v) sales, use, severance, excise, net proceeds of mine, and ad valorem taxes and any tax on or measured by mineral production, insofar as such taxes are attributable to Product but not including income taxes;

provided that when the Product is treated, whether on or off the Property, in a facility wholly or partially owned by a Party an Affiliate of a Party, Allowable Deductions will not include any costs that are in excess of those which would be incurred on an arm's length basis, or which would not be Allowable Deductions if those Products were treated by an independent third party, in both cases at competitive market prices and rates.

2. Grant of Royalties

The Owner hereby grants to the Royalty Holder, and if applicable the Royalty Holder hereby reserves for itself and shall be entitled to receive, a Royalty equal to one percent (1.0%) of the Net Sales Returns and/or Net Smelter Returns derived from sales of Products.

3. Notice

The Owner shall give notice to the Royalty Holder of the date on which Products are first mined, extracted or produced from the Property.

4. Calculation of Proceeds and Royalties

On or before the last day of each quarter of each year after which Products are first mined or extracted from the Property, the Owner shall deliver to the Royalty Holder a statement indicating, in reasonable detail, as of the last day of the immediately preceding quarter, the calculation of Proceeds resulting from sales of Products by the Owner or its nominees and the Royalties payable for such quarter.

5. Payment of Royalties

The Royalties payable to the Royalty Holder shall be paid to the Royalty Holder at the same time the statement required pursuant to paragraph 4 is delivered to the Royalty Holder.

6. Royalty Payments

All Royalty payments shall be considered final and in full satisfaction of all obligations of the Owner in respect thereof if such payments or the calculations in respect thereof are not disputed by the Royalty Holder within 120 days after receipt by the Royalty Holder of the audited statement referred to in paragraph 9 herein.

7. No Co-Mingling

The determination of Royalties is based on the premise that production will be developed solely on or from the Property. Precious Gems from the Property will not be co-mingled with Precious Gems from other properties.

8. Records of Production and Sale of Product

The Owner shall maintain for each operation on the Property up-to-date and complete records relating to the production and sale of Product including accounts, records, statements and returns relating to the processing of Products, and the Royalty Holder or its agents shall have the right at all reasonable times, including for a period of twelve (12) months following the expiration or termination of production upon the Property to inspect such records, statements and returns and make copies thereof at its own expense for the purpose of verifying the amount of Royalties payable to the Royalty Holder pursuant hereto. The Royalty Holder shall have the right at its own expense to have such accounts audited by independent auditors appointed by it once each year, and if the Royalty Holder's audit reveals a shortfall in excess of 5%, the costs of such audit shall be borne by the Owner otherwise they shall be payable by the Royalty Holder.

9. <u>Audited Statements</u>

The Owner shall have an audited statement prepared by its auditors for each year with respect to the Royalties payable to the Royalty Holder hereunder, by the 31st day of March in the following year, and the Owner shall forthwith deliver a copy of such statement to the Royalty Holder.

10. <u>Assignment of Royalties</u>

The Royalty Holder may, without the consent of the Owner, assign the benefit of the Royalties to any other party but only in whole and not in part. In that regard, references to the "Royalty Holder" in this Agreement shall include the assignees of the Royalty Holder. In the event of such an assignment then at the option of the Royalty Holder each of the Royalty Holder and the Owner shall execute a form of royalty agreement restating the terms of this Agreement, which agreement shall be in a form approved by the Royalty Holder, acting reasonably.

11. <u>Running with Land</u>

The Owner agrees that:

(a) the Royalties are an interest in land and they shall run with the Property and shall be binding on all subsequent assignees of the Owner; and

(b) the Owner shall not transfer any interest in the Property to any third party without causing such third party to covenant with the Royalty Holder (and to cause all subsequent assignees to covenant with the Royalty Holder) to pay the Royalties.

12. <u>Sampling and Testing</u>

The Owner may remove reasonable quantities of rock from the Property for the purpose of bulk sampling and of testing, and there shall be no Royalty payable to the Royalty Holder with respect thereto unless Product is derived therefrom.

13. <u>Enurement</u>

This Agreement will enure to the benefit of and be binding upon the parties and their respective personal representatives, successors and assigns.

14. <u>Further Assurances</u>

Each of the parties hereto hereby covenants and agrees to execute such further and other documents and instruments and to do such further and other things as may be necessary to implement and carry out the intent of this Agreement.

15. Amendment

This Agreement shall only be amended by the parties in writing.

16. Number and Gender

Wherever the neuter and singular are used in this Agreement it shall be deemed to include the plural, masculine and feminine, and vice versa, as the context requires.

17. Agreement References

References to “this Agreement”, “hereof” and similar phrases shall mean this Agreement as a whole and not to any particular part, section or paragraph hereof.

18. Sections and Headings

The division of this Agreement into paragraphs and clauses, and the use of headings herein, are for convenience of reference only and shall not affect the meaning or interpretation of this Agreement.

19. Governing Laws

This Agreement shall be governed by and construed in accordance with the laws of Ontario and, the parties agree to submit to the jurisdiction of the courts of Ontario with respect to any legal proceedings arising hereunder, except to the extent that the location of the Property requires reference to the laws or courts of the jurisdiction in which the Property is situate.

IN WITNESS WHEREOF the parties hereto have signed this Agreement as of the day and year first above written.

[ROYALTY HOLDER]	**[OWNER]**
Per: ______________________________	Per: ______________________________
Authorized Signatory	Authorized Signatory

SCHEDULE ‘A’